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Pt. 12

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INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

HEARINGS

BEFORE THE

SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE

UNITED STATES SENATE

EIGHTY-FIRST CONGRESS

SECOND SESSION

AND

EIGHTY-SECOND CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 202

(81st Congress)

A RESOLUTION AUTHORIZING AN INVESTIGATION OF
ORGANIZED CRIME IN INTERSTATE COMMERCE

PART 12

U. S. TREASURY DEPARTMENT

U. S. DEPARTMENT OF JUSTICE

FEDERAL AND STATE OFFICIALS

MISCELLANEOUS WITNESSES

JULY 11, 1950; FEBRUARY 16, 17, 20;

MARCH 9, 22, 24, 26, 27, 29, 1951

Printed for the use of the Special Committee To Investigate
Organized Crime in Interstate Commerce



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MAY 10 1951

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INTERSTATE COMMERCE

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INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

TUESDAY, JULY 11, 1950

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

EXECUTIVE SESSION

The committee met, pursuant to call of the chairman, at 2:30 p. m., in the District of Columbia Committee Room, the Capitol, Washington, D. C., Senator Estes Kefauver (chairman) presiding.

Present: Senators Kefauver, Hunt, and Wiley.

Also present: George S. Robinson, associate counsel.

The CHAIRMAN. The committee will be in order.

(Whereupon, the committee heard the testimony of Walter Casey, acting lieutenant, New York City Police Department, detective division, which is included in pt. 7 of the hearings of the committee.)

The CHAIRMAN. Mr. Goldschein, will you be sworn, please. Do you solemnly swear that the testimony you will give to this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GOLDSCHHEIN. I do.

TESTIMONY OF M. H. GOLDSCHHEIN, SPECIAL ASSISTANT TO THE ATTORNEY GENERAL, DEPARTMENT OF JUSTICE, WASHINGTON, D. C.

The CHAIRMAN. Mr. Goldschein, you are native of Nashville, Tenn.?

Mr. GOLDSCHHEIN. I have practiced law in Nashville, Tenn., for about 20 years. I have been with the Department of Justice since 1942.

The CHAIRMAN. In Nashville you were in the attorney general's office?

Mr. GOLDSCHHEIN. I was assistant attorney general.

The CHAIRMAN. You were assistant State's attorney general?

Mr. GOLDSCHHEIN. Yes.

The CHAIRMAN. You have handled many very difficult cases for the Department of Justice in Miami, Los Angeles, Denver, Kansas City, New York, and other places?

Mr. GOLDSCHHEIN. I have.

The CHAIRMAN. I want the record to show that the chairman has known Mr. Goldschein many years and when I was chairman of a subcommittee of the Judiciary Committee to investigate Judge John-

son and other judicial rackets in the middle district of Pennsylvania, we got Mr. Goldschein on leave for the committee, where he did one of the most phenomenal and thorough jobs in uncovering one of the worst judicial rackets and scandals that the United States has ever known. The chairman considers Mr. Goldschein one of the very top and most aggressive and efficient men in this type of business in the criminal section of the Department of Justice.

Mr. GOLDSCHHEIN. Thank you very much.

The CHAIRMAN. Mr. Goldschein, you have prepared a statement for the committee.

Mr. GOLDSCHHEIN. I have.

The CHAIRMAN. The statement will be filed and made a part of the record at this point. Then your oral testimony will follow your written statement.

(The statement follows:)

KANSAS CITY GRAND-JURY INVESTIGATION

Upon orders of the President of the United States, the Attorney General directed me to convene a grand jury in Kansas City, Mo., and make inquiry to determine whether the lawlessness that exists in that city, as reported in the public press and elsewhere, was the result of violations of the Federal statutes. Toward that end the then existing Federal grand jury was recalled by Judge Richard M. Duncan on the 28th day of September 1949. This grand jury is still in existence.

On June 29, 1950, however, it was recessed to be reconvened on or about August 15. Since the beginning of the inquiry approximately 275 witnesses have appeared and testified. Their testimony before this grand jury covers approximately 8,500 pages.

Of the first 180 witnesses that were subpoenaed to appear, 90 percent were law violators.

Ninety-five percent of those subsequently subpoenaed were people who were called upon to give evidence that pertained generally to a violation of the law committed by those who were subsequently indicted, or who, we believe, will be indicted. To date the grand jury has returned 10 indictments—one for the violation of the alcohol-tax laws, one for causing a false statement to be made to a Government agency, and eight for violations of the income-tax laws.

The indictments for income-tax violation were presented generally by John Mitchell, a special assistant to the Attorney General in the Tax Division of the Department of Justice. Other indictments for income-tax violations are expected to be returned soon. In this investigation I had the able and valuable assistance of Vincent P. Russo, a special assistant to the Attorney General in the Criminal Division of the Department of Justice, who had been associated with me on previous grand-jury inquiries and trials. I also had the cooperation and advice of Mr. Sam M. Wear, an able lawyer and a conscientious United States attorney, and I utilized, from time to time, the services of his staff, which he so generously tendered.

From the Treasury Department I had the special agents of the Intelligence Unit of Kansas City, Mo., the untiring and ceaseless efforts of the Federal narcotics agents, the alcohol-tax agents and the internal-revenue agents, and also the assistance of an investigator from the Immigration and Naturalization Service.

When we first arrived in Kansas City, in order to get a picture of the local situation, we called in the investigators of these various agencies and learned from them who the top-flight racketeers in Kansas City were and then issued 70 subpoenas for simultaneous execution for the first day's grand-jury session; approximately 40 were served. All the witnesses and those who were subsequently served were called before the grand jury and questioned. Those who gave evidence that was evasive were cited for contempt and tried before the Honorable Richard M. Duncan, who is in charge of the grand jury.

Three such witnesses were tried; the first two, after being in jail for 36 hours, requested permission to reappear before the grand jury and to purge themselves by giving the truthful story on the matter under investigation. The third witness who was found guilty of civil contempt by Judge Duncan appealed to the Court of Appeal for the Eighth Circuit, who affirmed the conviction, with one judge dissenting.

So thorough are these Treasury investigators in enforcing the laws within their respective jurisdictions that it soon became apparent that there was no organized attempt to violate the Federal statutes in that district. To illustrate this, let me point out that Charles Carolla, an old-time Kansas City racketeer who had served a term in Alcatraz, attempted to recoup his fortune by going into the wholesale whisky business after his term of probation expired in 1949. He, of course, did not obtain the required Federal wholesaler's liquor tax stamp. After being in business and operating for less than 60 days, Carolla and his three coconspirators were apprehended upon the execution of a search warrant which netted the Alcohol Tax investigators approximately 1,100 cases of tax-paid whisky valued at approximately \$50,000. This was an excellent job of patient investigating. After they had completed their investigation, they came into consult with me about the search warrant and then executed it.

Bootleggers who purchased liquor from Carolla's organization were called before the grand jury and compelled to testify. One, who became offensive and refused to testify, was sent to jail and fined \$750 for contempt. After being confined for the week end he talked. Carolla was indicted and on July 7, 1950, he was sentenced by Judge Duncan to 2 years in the penitentiary and fined \$1,000; Marcella, one of his coconspirators, was also sentenced to 2 years in the penitentiary and fined \$1,000. This was one of the many instances in which Mr. Sam Wear, United States attorney, who did most of the work on this matter, did an excellent job.

Judge Albert L. Reeves, of the United States District Court for the Western District of Missouri, also appeared before the grand jury and testified with reference to the manner and speed with which criminal cases are handled in that district.

He stated that 35 days from the date of the indictment is the longest time it takes for the trial of any case in that district, and that the average time is approximately 14 days.

Kansas City has no red-light district. This, without doubt, is due to the fact that the FBI has jurisdiction over the transportation of women for immoral purposes from one State to another. But this also speaks well for the Kansas City Police Department which will not permit a house of prostitution to get started. It is apparent, because of the vigilance of these various agencies and the speed with which the courts dispose of matters within the Federal jurisdiction, that organized racketeers steer as far away from a violation of the Federal statutes as they possibly can.

Until 1942, there was a well-organized group in the narcotic racket in Kansas City where the Federal Bureau of Narcotics made some excellent cases and apprehended the major violators. The convictions secured against those involved broke up this vicious racket.

To illustrate further how effective this is, all those connected with the narcotics racket in the Kansas City area were said to be members of the Mafia. In 1939 and 1940 10 top-flight narcotic distributors and several of the lesser lights were convicted in the Federal court there. The investigation of the narcotics violations continued and in 1943 five of the real important ringleaders in the narcotic traffic were convicted and sentenced as follows: Joseph DeLuca, 3 years; James De Simone, 6 years; Nicola Impastato, 2 years; Paul Antinori, 7 years; and Joseph Antinori, 5 years. These convictions broke the back of this organization and narcotic violations are almost nil in the western district of Missouri.

In order to develop our investigation of Federal crimes it was necessary to call each of these racketeers before the grand jury and compel him to disclose the nature of his business and the source of his income over the past 15 or 20 years.

Through this method of inquiry we learned that there were a number of gambling houses operating in and around Kansas City, some of which limited themselves to just dice games, some to just horse books, while others included dice games, horse books, sports-events books, and blackjack tables.

The gambling operations in Kansas City seems typical of a good many other cities; e. g., Miami, Detroit, Los Angeles, Chicago, Philadelphia, Camden and Trenton, N. J., New York City, and the bordering New Jersey cities.

In this respect they are like Kansas City on a larger or smaller scale depending on their relative populations.

Binaggio and Gargotta (who were murdered recently) and Gizzo, Lococo, and Balestrere were generally known throughout the underworld as the Five Iron Men of Kansas City. Binaggio was on record as a one-fourth owner of the

Coates House enterprise which, incidentally, in the year 1948 made a net profit of \$100,000. The other partners in this enterprise were Tony Gizzo and three lesser lights: Mel Levitt, Sam Butler, and Joe Danzo. Binaggio also had an interest, of record, in the dice games; for example, the dice game on the Goulding property at Southwest Boulevard and the State line. Gargotta had an interest in a race horse news information service—the Standard News Distributing Co.—and he also had an interest, with Binaggio, in the State line dice games. Lococo was on record as a one-fourth owner of the Standard News Distributing Co. (which is controlled by the Universal News Service), and he also had an interest in the State line gambling operation, as well as an interest in a dice game at Ninth and Woodland, and others. Balestrere, the fifth of this quintet, has no recent record of being connected with any gambling operation. However, since it is known that Binaggio was collecting Balestrere's share of the profits in the Green Hills gambling house, Balestrere's interest in the venture was generally referred to in the racket as "Balestrere has a piece of Binaggio."

The Kansas City gambling operators are so organized that no outside group is permitted to operate unless the mob is represented. For example, in 1945 Reneger and Goulding, two gamblers, were operating a dice game at the rear end of a row of buildings owned by the Goulding family in Kansas City, Mo., near the State line at the other end of the Last Chance Tavern. A small corner of their property is said to cross the State line on the Kansas side. The mob or "the greenies," as they are sometimes referred to, demanded an interest in this venture, but Reneger, who was operating it, refused even to let them come into the place to play. A short time after this demand was made the gambling room was blown up by a bomb. It stayed out of operation for some time while Reneger opened a temporary dice game farther up the same street. Some time thereafter and after the damage had been repaired, Reneger, Goulding, and others again opened the dice game at the same site on the Goulding property. Shortly after the place was reopened Reneger was found in an automobile with four bullet holes in his head. The place stayed closed for a while, but subsequently, it was opened with Binaggio, Lacoco, Gargotta, Klein, Osadchey, Frelander as partners. The "greenies" were in. At the time of their murder Binaggio and Gargotta were partners in the same gambling house, and the fact that each had four bullet holes in his head would at least seem to indicate that those who were displeased with Reneger were also displeased and discommoded by the activities of Binaggio and Gargotta.

During this investigation in Kansas City, five witnesses who were subpoenaed to appear and who appeared before the Federal grand jury have died violent deaths: Irene Sarno (an overdose of sleeping pills); Sam Butler, who left the grand jury witness room at 12 o'clock noon with instructions to return at 1:30 p. m., didn't return, but was found shot to death in his office with a pistol lying beside him; Danny Robinson, who had appeared before the grand jury and testified against narcotic distributors, was found dead in a school yard with five bullet holes in his head; and Charles Gargotta and Charles Binaggio, who were found shot to death, each with four bullet holes in his head. By virtue of the fact that Danny Robinson was not involved in the narcotic case, but was called in to testify against others, the FBI was called in to investigate the murder of a witness before the grand jury.

All the agents worked long and diligently on that murder from the standpoint of the obstruction of justice, and I know that they worked diligently, as they do in all cases, because in this particular matter I worked with them (the narcotic agents, the FBI, and the city homicide officers of Kansas City). On one Sunday we worked from 9 o'clock in the morning until 2 o'clock on the following morning, and while we were not able to develop a charge of obstructing justice which carries with it a 5-year punishment, the narcotic agents did develop a narcotic case against Sam King and Mack King, who, all the investigators on the case believe, committed the murder. Upon conviction of the narcotic violations, they were sentenced to 10 years each.

The Federal grand jury in Kansas City did not make an investigation into the murder of Charles Binaggio and Charles Gargotta because murder is not a Federal crime and such an investigation would have sidetracked the original intent and purpose of this grand jury inquiry. Nothing would have suited the racketeers in Kansas City better than to have the grand jury diverted for any purpose. We intended to finish what we had started, and to leave the violation of the State laws, including murder, to the officials of that city and State, who are responsible for their enforcement. We believe we know why they were killed. The cause of all gang murders everywhere is the fight to

determine who shall get the money derived from the gambling operations. The fight for control in Kansas City among the racketeers is a fight for the profit in gambling. Let me illustrate again: Louis Schaeffer and John McBride, successors to "Bud" Tralle who had been operating for approximately 25 years and who died about a year ago, have been operating the largest numbers or policy racket in Kansas City. Schaeffer and McBride together were netting about \$125,000 a year. On October 1, 1949, John Mangiaracina and Max Jaben together "muscled in" for one-half of the net in McBride and Schaeffer's policy racket only because McBride and Schaeffer felt that it was better to remain alive and get 25 percent each than to be murdered. On the same date that Jaben and Mangiaracina "muscled in" on McBride and Schaeffer, Joe and Willie Commisano, alias Joe and Willie Cummings, simultaneously "muscled in" on two other lucrative numbers racket operations—one operated by Ray Bendel and Ernest Duncan, and the other by John Lewis. Just 2 months later, Joe Gurera, a local police character, "muscled in" for a half interest in a numbers racket that had been operated in Kansas City by Israel Brenner for about 25 years. These "muscling-in" tactics illustrate the mob's continuous fight for control of the profits derived from unlawful gambling operations. The numbers or policy racket in Kansas City appears to be local in character.

In many cities the investigators are handicapped by the fact that the telephone companies refuse to cooperate with the authorities and will give them no information concerning the use to which telephones are put by the gamblers and bookmakers. The telephone companies profess to be fearful that they will be sued by the gamblers if they learn that the telephone company gave information to the police authorities concerning the gamblers' business. The telephone companies promptly respond to grand jury subpoenas. However, this method of securing the desired information is not available to the routine investigator.

The Kansas City racketeers did not confine themselves to Kansas City. In 1947, the Stork Club was operating in Council Bluffs, Iowa, as a restaurant and gambling house. The Stork Club had been operating at that location since 1942, and was opened up by Dick Mahoney and Bill Hill of that city. It had an elaborate gambling casino. In 1945, Mahoney and Hill sold the Stork Club to Chicky Berman of Minneapolis, Minn.; Al Abrams and Si Silver of Omaha, Nebr.; and Max and Einar Baramson for \$45,000. The new owners enlarged and remodeled the place and spent another \$45,000 in modernizing the gambling casino which was operated in connection with the dinner service and which, of course, was a cover for the gambling operations.

A short time thereafter Berman and Abramson sold their interest to Silver and Max and Einar Abramson, the other three remaining partners. Silver stated that in 1947, he and his partners sold this elaborate gambling casino and dining room (that cost them \$90,000) for \$20,000 because he was sick and couldn't operate it. Charles Hutter, of Council Bluffs, Iowa, who had been paroled by Alabama authorities after serving 4 years of a 10-year sentence imposed upon a conviction for an armed robbery committed in that State, came to Kansas City and met Klein and Osadchey at the College Inn Bar and told them about the Stork Club in Council Bluffs, Iowa, that could be bought for \$20,000. Klein and Osadchey agreed to buy for their group. Hutter then went to Omaha and there contacted Barnes, one of the former partners, and offered to sell him a half interest in the Stork Club for \$20,000, to which Barnes, it is said, agreed. Barnes' money was used to pay Silver and his associates \$20,000 for the Stork Club. Silver, of course denies that he signed this conveyance through threats or coercion, and it is probably natural that he should deny it. About 3½ years ago, the Stork Club was bombed and the front door of the club was blown in. We also know that in 1946 a bomb was placed in a gambling house in St. Joseph, Mo. The only thing that saved the people that happened to be there was the fact that one of the men present seeing a fuze sputtering in an air vent, ran to it, grabbed it, and threw it out into a field. When the bomb went off, it broke windows for blocks around. No one would or could identify the person who placed the bomb in the air vent. Accordingly, there was no prosecution. The cause of the bombing, of course, is apparent. The racket boys wanted a "piece" of this gambling operation, but its owner would not give it. Naturally, this gambling house has not operated since that time.

The Kansas City racket boys also operated in Colorado Springs, Colo., when Max Jaben, Walter Rainey, and Si Davis went to Colorado Springs and opened a gambling house there with some Denver gamblers. This gambling house was operated from 1946 through 1949.

Snag Klein, with other Kansas City gamblers, was interested with Mickey Cohen in the LaBrea Club, a gambling casino in Los Angeles, Calif.

In 1945, Kansas City, Mo., was the central distributing point for the race horse wire service that came over the Continental Press Service to Kansas City and the western bordering States, through the Mo-Kan Co. The company was succeeded by the Harmony News Service that was owned and operated by Simon Portnoy. Actually, Portnoy was an employee of the Continental Press Service, a trade name used by James Ragen and Arthur (Mickey) McBride, receiving a salary of \$125 per week. When the Trans-American News Service was organized in 1945, Portnoy was "induced" to leave the Continental Press and go with the Trans-American News Service at a salary of \$200, plus a 15 percent commission to service the bookmakers in Kansas City. When the Trans-American News Service surrendered its charter (after Ragen was murdered in 1946) its operation merged with the Continental Press Service. The Harmony News Service was changed to the Standard News Service, which was owned and operated by the Universal News Service, the trade name for Edward P. (Eddie Spitz) Osadchey, Morris (Snag) Klein, Thomas Lococo and Charles Gargotta. They received their franchise for the Continental Press Service through the Midwest News Service because of their ability to control the bookmakers in Kansas City and to operate the wire service with a minimum of resistance from or molestation by the authorities. The Treasury Department agents estimate that the race-horse bookmakers in Kansas City, Mo., do a business of approximately \$7,500,000 a year, and this figure is based on the available books and records of these operators without considering the business of the sidewalk bookmaker (those that do not have fixed business offices, but go from customer to customer soliciting bets).

The sports events bookmaker who takes bets on football, baseball, and so forth, does not generally rely on the Continental Wire Service for information but purchases the Western Union sports events service. The Western Union Co. supplies the sports news over a teleprinter which it supplies and for which it charges about \$40 a week. About 80 percent of the teleprinters leased in the Kansas City area have been leased by bookmakers.

The Department of Justice has been making inquiry into the race horse wire service for quite some time. In 1948, I began this inquiry for the purpose of determining whether there were any Federal statutes that made the transmission of this news used primarily for the violation of State gambling laws unlawful. I examined into all phases of it, including the question of whether or not the antitrust statutes would apply to the activity of the Continental Press. After much consideration and discussion with members of the Antitrust Division and other officials of the Department, it was concluded that it would be ridiculous for the Federal Government to insist that the Continental Press should break up into several smaller companies so that the bookmaker who was operating in violation of the State laws could have his choice in selecting which of the several companies should aid him in the violation of these State laws. Of course, the ultimate conclusion of the Department is evidenced by its recommendation for legislation to control this vice.

Of the four owners of the Universal News Service, Gargotta, Osadchey, and Klein have been convicted for the violation of Federal statutes; Lococo, while arrested on innumerable occasions, has not been convicted, but, as the Kansas City Federal grand jury said, he should have been. At the present time he is under indictment returned by that grand jury for income-tax evasion. Klein is in the Federal penitentiary at Leavenworth serving a sentence for a vote-fraud violation. Gargotta was in the Federal penitentiary for stealing arms and ammunition from an armory. In 1940 he was convicted for assault with intent to commit murder, for which he served 4 years of a 10-year sentence in the State penitentiary, and for other offenses. He was murdered on April 6, 1950, together with Binaggio, as a result of his gambling operations. With few exceptions, these individuals are typical of the race-horse news distributors throughout the country. Portnoy was experienced and operated this wire service. These four owners knew nothing about the business, and had nothing to do with it, invested no capital in it, and yet were dividing net earnings from this operation of more than \$20,000 a year. Kansas City is on the Midwest circuit that comes down from Chicago. The whole country is covered by the many circuits of the Continental Press Service over leased Western Union lines. The bookmakers in every hamlet, town and city in the United States are linked together by the wires of this service. All, using the same wire reports, know simultaneously the conditions under which any given race is run; they deal among themselves in placing lay-off bets; and they also act, as has often happened, as contacts to recruit

others to participate in the commission of other offenses. In substance, the Continental Press Service aids and abets practically every bookmaker in the United States in violating the gambling laws of their respective States.

The CHAIRMAN. All right, sir, just tell us about it.

Mr. GOLDSCHIEIN. I was directed to convene a grand jury in Kansas City, Mo., for the purpose of determining what the criminal situation there was with reference to the violation of the Federal statutes. The newspapers had been commenting on the matter for quite a long time, and other national periodicals were discussing Kansas City. The determination was finally made that perhaps some of these operations came within the jurisdiction of the Federal Government. I went to Kansas City and made a survey in August of 1949. I spent about 10 days there, and again in September of 1949 and concluded that the only way the matter could be determined was through a grand-jury inquiry, that it wasn't the type of investigation that you could send some investigators out and determine what the situation was.

On the 25th day of September 1949, at my request, Judge Duncan reconvened the then existing grand jury. Let me say for the people in the western district of Missouri that grand jury, as typical of the people in that community, was very, very much interested in that particular issue, so much so that from the time we started on the 28th day of September 1949, until the grand jury recessed last week, we didn't have one absentee on that grand jury. They were there every day the grand jury met.

We had the assistance there of the special intelligence agents of the Treasury, the narcotic agents, ATU, and post-office inspectors who were very helpful in getting our people served. The problem that we were confronted with there was how to get this investigation started. The minute these racket boys would hear that the grand jury was in session to investigate rackets, the difficulty would be in finding them. They would go to Florida or Los Angeles or Chicago, to the four corners of the earth, and there would be nobody to investigate in Kansas City.

So it was a question of getting started. The question was how. They had some deputy marshals there, I think about four or five. When we started there we called in all these agencies to find out from them who, insofar as they were concerned, were the top racketeers in Kansas City, Mo. We also got a couple of detectives from the police department to see if they could supplement this list. Then we called in the newspapermen, that is, called in the newspapermen at a later date, to see whether they could give us any additional names.

The first list that we made comprised about 75 names, and we knew that the deputy marshals couldn't serve 75 subpoenas without the boys hearing after the first or second or third one was subpoenaed, and leave. I decided that we would use the special-delivery boys of the Post Office Department, and we would serve them all by mail special delivery, return receipt requested by addressee only. To assure the fact that we could get affidavits to the fact that each one of these men was served, I got the postal inspectors, we addressed the envelopes, got the subpoenas and gave them to the postal inspector, and he put the subpoena in the envelope and sealed it, and then he delivered it to the special-delivery boy who signed for it, and the special-delivery boy delivered it to the addressee only, who signed for it. Of course, we put a return address on there, Treasury post-office box, some in Kansas City, some

in Wichita, Kans., some in Oklahoma, and Little Rock, and Memphis, so it wouldn't all appear to come from one particular place.

With that we caught about 40 of them, and they were the top-flight racket boys in Kansas City.

They were called in, and we didn't have very much background on them. They don't have a squad in Kansas City like Lieutenant Casey has, that keeps tab on who the racketeers are. We know that this one is a racketeer and that one is a racketeer and the other, but particularly what he is connected with they don't know, as for example, Gargotta, Binaggio, Lococo. The police department would all say they are gamblers, but where they operate and who operates in what place they just didn't know.

It was a question of calling these fellows in. We began with Binaggio, I believe. We started in by where he lived and how long he lived there and where he lived before that, and how long he lived there. We took him back that way to the places where he had lived for about 25 years. We asked him what business interests he had. He told us. We wanted to know what else, and what else he went into, until we thought we had everything he was in at the present time. "What business were you in before that? What other financial interest did you have at that time?" We would take him back before that. We would go back about 25 years, as far back as we could.

In that way we took all these first 40 that we caught and dressed them down in that way, just general information.

Then we got the intelligence-unit investigators and the narcotics investigators and had them go over this information that we had received from these racket boys and checked their bank accounts in the various banks. Then we called them back on a subsequent occasion to check the bank records against what they told us and then questioned them along these lines.

In that way we got to know of the gambling operations that Binaggio was connected with, Lacoco, Gargotta, Balestrere, Snag Klein, Osadchey, all those names you have read at one time or another in the Washington papers or have heard before some committee here.

We, of course, weren't interested in gambling as such because we had no jurisdiction. Our jurisdiction is Federal statutes, and we have no gaming statute among the Federal statutes. So our problem was where were the boys racketeering, what was the extent of their operations. Of course we followed it through as far as we could possibly follow it. We found a number of interstate transactions with reference to gambling. There was no Federal statute that touched it.

I called in before the grand jury the heads of each of the Treasury investigative agencies in Kansas City, like the head of the Intelligence, the head of the Alcohol Tax, the Narcotics, and the Secret Service, to find out from them who they considered were the major law violators insofar as the statutes under which they were acting were concerned. They gave us names that they suspected, but they knew of no organized attempt to violate the statutes over which they had jurisdiction.

Judge Reeves, who was chief judge of the western district of Missouri, had about 20 years ago called a Federal grand jury to inquire into the violation of Federal statutes there. He is the judge that tried the Coplon spy case here in the District. I called him before the grand jury. He is a man up in years—I would say about 75 years of age—and considered a very able lawyer. I asked about his calling the

grand jury to make an inquisitorial investigation about twenty-some-odd-years ago, and he recalled it and said he did. I asked him why he did that. He said generally because the newspapers and the investigators and everybody in the community said that lawlessness was rampant and he thought nobody was doing anything about it, and the grand jury should. I asked him if he had in mind calling a grand jury since that time for that purpose. He said he did not. I asked him why he did not. His answer was that no such condition was called to his attention, that he knew of no such condition existing in Kansas City with reference to the violation of the Federal statutes. I asked him to tell the grand jury how long it took from the time that the investigators brought in a case up until the time that the man was indicted and tried, and the statement he made was that the longest period of time was 60 days and the average 14 days.

So, the picture in Kansas City as I saw it was that if a man was caught violating the Federal statute the certainty of punishment was such that he would be afraid to play with it. In other words, one thing he didn't want was to go to the penitentiary; and, being caught for a Federal statute violation, going to the Federal penitentiary was a certainty.

Here is how it operates from the practical standpoint. While we were there we had Charlie Carolla before the grand jury. Charlie Carolla was a successor to Johnny Lazzia, who was the top mobster up until 1934 in that area. When Lazzia was murdered in 1934, Carolla took his place. He was the bag man who went around and collected from all the gambling houses. That is up until 1939. In 1939 he was indicted and in 1940 he was sent to the penitentiary, Leavenworth. He was smuggling whisky and narcotics into Leavenworth, and he was then transferred to Alcatraz.

In 1937, I believe it was, for good behavior, having served 7 years of his time, he was released on probation, and his probation expired in 1939. I was satisfied that Carolla knew a great deal of the underworld and knew the conditions that existed. I called him before the grand jury and started questioning him about what his activities were since he got out of the penitentiary and what he knew about the general conditions. Of course, Carolla would tell us nothing more than he thought we could prove. Anything he thought we knew, he would tell us.

In checking the gambling houses and the books of these gamblers, we found some checks amounting to about \$3,000 that were paid to one by the name of Arnone who I knew was a son-in-law of Charlie Carolla. We already had Arnone before the grand jury at one time, and he was a filling-station attendant. He worked in the filling station, getting \$35 or \$40 a week. Earning \$35 or \$40 a week didn't gee with a fellow betting or getting \$3,500 from a bookmaker; so, we called Arnone in and questioned him about it, and he said he didn't know anything about it; it wasn't his; he didn't get it, and he knew nothing about it. We then called the bookmaker in, Fenelli. He came in and we wanted to know who that check was given to. He said he gave it to Charlie Carolla. Charlie Carolla wanted to make some bets with him and told him to make the bets in the son-in-law's name. We called Charlie Carolla in again. Charlie Carolla said "Yes"; it was his.

We were interested in it because we thought, if we could make a case on Charlie Carolla, Charlie Carolla would tell us about them all.

The next time I went back to Washington we got his files, his probation file, the reports he made to the probation office. If he made a false statement to the probation officer and we could prove it, then there might be a violation of the Federal statutes.

I am giving you this detail only insofar as it shows the activity of the Federal agents there and why they won't take a chance on violating the Federal statute.

When I got back to Kansas City, the bailiff that I had on the grand-jury door came in to see me, and his language was: "I think I have got something for you." I said, "What have you got, Lashbrook?"

He said, "I have been on Charlie Carolla since you left, and I think we have got a case. The boss is coming over to see you tomorrow."

The next day the head of that agency came over there with the elements of a search warrant. We went over the search warrant and fixed it up. The boys had been laying on Carolla. When I say "laying" I mean that in its literal sense. They had found a lookout near Carolla's home where they could get close enough without being seen and with a long telescope they were watching the activities in the back of his house. They had a short-wave radio there and had radio cars on the outside, and every time a car would pull up in front of Carolla's place the boys would get his license number and send it out by short wave to the boys outside with these cars, and they trailed this fellow to find out where he was going and who he was for future use.

Within a matter of 30 minutes after they left my office they executed the search warrant and caught 1,100 cases of tax-paid whisky. Then it was a question of making a case against Carolla for doing business as a wholesaler without obtaining the wholesale whisky dealer's stamp and paying the tax. The question was making the sales. We subpoenaed all these bootleggers in from Oklahoma, which is a dry State, whose license numbers had been taken down by these ATU agents, subpoenaed them in before the grand jury. It was a question of just compelling them to tell what the dealings were they had with Carolla. If you have had any experience with bootleggers, you know they won't talk unless they have to. One of them got up in the grand-jury room and was going to assault Mr. Wear. We stopped that, of course; but it wasn't stopped at that point. He was so obstreperous that the judge sent him to jail over the week end and fined him \$750, which he paid before he got out of jail.

Carolla hadn't been in business more than 60 days. He started in business after he left the grand-jury witness room as a witness. He thought he was through. It was then that he went into business and was in business for less than 60 days when he was caught again. Of course, he got 2 years in the penitentiary. He was sentenced last Friday to 2 years in the penitentiary, and he is on his way out. Carolla, Marcella, and Carolla's two sons-in-law. One was just a dupe and knew nothing about it, and the judge suspended his sentence. Carolla got 2 years and a thousand-dollar fine, and Marcella got 2 years and a thousand-dollar fine.

They had a large narcotics ring in Kansas City. I believe in 1939 they indicted about 39 in a conspiracy and convicted a great number of them. Then in 1942 they indicted 60 others and convicted 5 of

those. They were the top mobsters in Kansas City connected with narcotics and were part of the Mafia. Mafia in Kansas City was pretty well organized to the point where you did what you were told or else. In that narcotic investigation in 1942 Caramusa broke with the boys and told the investigators what the story was and testified. In 1944 Caramusa was murdered. In 1948 Mary Bono testified in the vote-fraud investigation in Kansas City, and she was murdered. In our investigation in Kansas City from September through the end of May, five died violent deaths. This Sarno woman was poisoned; Dandy Robinson, who appeared as a witness before the grand jury and testified to narcotic violations, was murdered. He was found in a schoolyard with five bullet holes in his head. Sam Butler appeared in the witness room, waiting to be called as a witness, and the hearing was recessed at 12 o'clock to return at 1:30, and at 1:30 he was found in his office with a bullet hole in his head, which was said to be suicide. I don't know whether it was or not. Then Charlie Gargotta and Charlie Binaggio were both found with four bullet holes in their heads.

From the standpoint of organization of the mob, this is significant: In 1945 there was a gambling house that was operating in back of the Last Chance Tavern. The Last Chance Tavern is at the end of a row of about six buildings, and at the other end of the building, to the rear, was a pretty elaborate lean-to built on. It belonged to the Goulding family. That was on the State line, pretty near the State line. Goulding appeared before the grand jury as a witness to tell what he knew about these gambling operations. Our investigation of course being limited to Federal statutes, we were interested in who were connected with these gambling operations, the books and records of these gambling operations, in order to be able to determine whether or not any of these racket boys had failed to pay full income tax on the moneys they received.

It developed that in 1945 there was a gambler there by the name of Reneger. Reneger was in partnership with Goulding and several others. The racket boys wanted a partnership in it. That is, "the greenies," as they called them there, the mob. Reneger didn't like "the greenies," and he wouldn't let them come into the place to play. He didn't want them around. They persisted, and Reneger ran them out. They planted a bomb in the place and blew it up. It stayed idle for a while and Reneger moved farther up the street. Things got quiet and Reneger decided they would fix up the old place and start over again, and he did. He operated there for several months, and one day Reneger was found in an automobile with four bullet holes in his head. That closed up the Last Chance gambling operation for some time.

That happened in 1947, the murder of Reneger. It operated again later on.

January 1 of last year "Snag" Klein came in to tell Goulding that they were opening up again. I asked Goulding why he let them open. He said: "You don't argue with those boys," and he told me the story of Reneger. The part that struck me was the four bullet holes in his head, because when Gargotta and Binaggio were found dead in their clubhouse they each had four bullet holes in their head. Obviously, it isn't necessary to shoot a man in the head four times to kill him; so the bullet holes seemed to have some particular significance. Some of

these mobsters have a peculiar sense of humor in conducting their business, especially so with some of these killers. It occurred to us that "four" in shooting dice is generally referred to as "Little Joe," and Reneger was connected with a dice game, and Gargotta and Binaggio with the same operation. They were all shot four times in the head. It seemed to be like the signature of some mobster. We then started making inquiries as to who in that area was known as "Little Joe."

We checked the police department records and all other records we could find. Among them we found the name of Joe Curera. Joe Curera in January of 1950 muscled into the numbers racket that was run by a brother and took over a half interest. He did no work, paid no money, got a half interest.

In October of 1949 all the numbers operators in Kansas City gave up a half interest in their business to the mob. Schaeffer and McBride had a numbers or policy racket that netted them \$125,000 a year. They took over from one by the name of Tralle, who was an uncle of Schaeffer. Tralle had operated there individually for 25 years unmolested. On October 1, Schaeffer and McBride, Lewis, Badone, and all the others were taken over for a half interest. The significance to me is that among this group there are five different operators, one having no connection with the other at all; yet, on October 1, 1949, each one of them gave up a half interest to five groups. The Commisano brothers, both of whom have been in the penitentiary for larceny, robbery, and prohibition violations, took over the Badone and Lewis operations. Johnny Mangiaracina and Max Jaben took over the McBride and Schaeffer operations. When they took over they each took over to the tune of \$3,500 a month net, and they were getting that from October through February 1950. You can see from that the boys have something to fight about. Control of the rackets in Kansas City or any other place determines who get that kind of money.

I have given you a picture there of the gambling, dice games primarily, and the numbers racket in Kansas City. But it isn't any different from Detroit, Miami, Los Angeles, Philadelphia, Camden, Trenton, or the cities in any area bordering New York. I just heard the lieutenant of the New York Police Department talk about Duke's Tavern. I was in New York at the latter part of 1947 and 1948 just making a survey, and the first thing I learned when I got there was the operations of Duke's Tavern. While it is in the name of some innocuous individual, the owners are said to be Quarino Moretti, and Moretti is of course a big stick in that area. Any mobster who came to New Jersey had to see Moretti. I think one of your investigators who knows as much about that as any one is George White. He went in there one time to look for a narcotic violator, and nobody would talk to him or tell him anything about his fugitive. He said he heard a chair fall, and he thought there was some compartment of the bar where somebody might be hiding out. He picked up a stool and threw it through that great big mirror to see if there was anybody in back there. It was right after that they soon brought in George White's fugitive. I don't think they wanted much business with George White.

Getting back to Kansas City, the race-horse wire service is a business there that is quite lucrative to the racketeers. It is lucrative in the sense that he receives a fixed salary, and he doesn't have to do anything about it. It is just net income to him. He knows nothing

about the business; he doesn't operate it, nor does he concern himself with it. The race-horse wire service in Kansas City is operated by one Simon Partnoy. Partnoy has been operating it there since James Ragen started the Continental Press Service, which was a successor to the Nationwide News Service. He first was operating with Continental. Then, when the mobsters in Kansas City decided that they were going to open an office for the Trans-American News Service, Partnoy went with the Trans-American News Service. I believe that was in 1945. They operated in Kansas City alone. When Partnoy had the Continental Press before, he not only had Kansas City, but he had the States on the western border of Kansas. I think he went down as far as Oklahoma and the State of Kansas as well. When the Trans-American was organized and Partnoy went with them, he had Kansas City alone. Then when Ragen was murdered the Continental Press took over the Trans-American News Service outlets and Partnoy remained in operation of the Kansas City office, servicing those bookmakers.

It isn't a simple proposition to get the evidence on who operates these race-horse wire services. To illustrate, the Attorney General of Missouri started some injunction proceedings, I believe it was, in Kansas City, in a fight to sever the service of this Standard News Service that was operated by Partnoy. Judge Cook, if I am not mistaken, had under advisement an injunction for a period of 3 years, whether or not he would or would not grant that injunction.

The CHAIRMAN. What sort of a judge is Judge Cook?

Mr. GOLDSCHHEIN. He is a county judge; part of the State system.

The CHAIRMAN. Maybe Senator Hunt would like to ask you some questions about things he might be interested in right now and then we can go back and follow this trend on through.

Senator HUNT. I do not know of any questions. It has all been very, very interesting; tremendously so.

(Discussion off the record.)

The CHAIRMAN. The interim report has been filed as an exhibit to Mr. Goldschein's testimony.

To bring us down to date, what is the situation out there now? This is not part of the release.

Mr. GOLDSCHHEIN. The release is just that statement.

The CHAIRMAN. Yes.

What is the situation in Kansas City now and can we look for and get at that as within the purview of our resolution?

(Discussion off the record.)

The CHAIRMAN. Mr. Goldschein, we surely do appreciate this information.

We will recess until further notice.

(Whereupon, at 3:50 p. m. the committee recessed subject to the call of the Chair.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

FRIDAY, FEBRUARY 16, 1951

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to call of the chairman, at 10:05 a. m., in room 104-B, Senate Office Building, Senator Charles W. Tobey presiding.

Present: Senators Kefauver (chairman), Hunt, and Tobey.

Also present: Downey Rice, George S. Robinson, John L. Burling, associate counsel; and Joseph L. Nellis, assistant counsel.

Senator TOBEY. The committee will come to order.

All right, Mr. Brookfield.

Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BROOKFIELD. I do.

Senator TOBEY. Give your name to the stenographer.

TESTIMONY OF JOHN W. BROOKFIELD, TRIAL ATTORNEY, FEDERAL TRADE COMMISSION

Mr. BROOKFIELD. John W. Brookfield, trial attorney, Federal Trade Commission.

Senator TOBEY. Your address?

Mr. BROOKFIELD. 6067 Little Street, Alexandria, Va.

Senator TOBEY. What are your duties at the Federal Trade Commission?

Mr. BROOKFIELD. I am trial attorney; that is, I try—I issue complaints after investigation is made, and try them before the trial examiners, brief the cases, and present them.

Senator TOBEY. Are these special cases, cases of a special nature that you handle there, or are they general?

Mr. BROOKFIELD. Well, for the last 10 years, it has been more or less special. I have handled the so-called lottery merchandise cases, which have been before the Commission. I suppose some 150 of them.

Senator TOBEY. Do you know anything about the punchboard game?

Mr. BROOKFIELD. What I have picked up.

Senator TOBEY. So-called?

Mr. BROOKFIELD. Only what I have picked up in connection with my trial and investigations of the lottery merchandise, which includes

the punchboard. In fact, the punchboard merchandising is the largest part.

Senator TOBEY. I may display my ignorance, but what is a punchboard?

Mr. BROOKFIELD. A punchboard, sir—I think the best definition is that it is a board with holes in it, of laminated cardboard structure, with holes in it, which contains tickets with numbers on them. I brought down a number of them so that the committee could see them.

Senator TOBEY. Bring out a punchboard.

I have seen those things on counters in stores.

Mr. BROOKFIELD. This is the simplest form of punchboard. There is no label on it. The person who buys it from the manufacturer, or who gets the right to use it, puts his own label on it; he can give away anything, or distribute, rather—give as a prize anything from money to any form of merchandise. That is the best-known type of punchboard.

Senator TOBEY. That is the way it appears in the stores?

Mr. BROOKFIELD. No, sir. The way it appears in the stores—they take a board like that, and then if they want to give away cigarettes, they will put a label on it, providing for the distribution of cigarettes.

For instance, here is 1 cent per sale. Somebody goes into a drug store, grocery store, cigarette store, tavern, has change, and he will put 3 or 4 cents down, take a—

Senator TOBEY. Where does he put the money, on the counter?

Mr. BROOKFIELD. He gives it to the proprietor.

Senator TOBEY. Gives him a cent. What does he do then?

Mr. BROOKFIELD. Then he takes the punch, and punches the board.

Senator TOBEY. The punch comes with it?

Mr. BROOKFIELD. A punch comes with it. You will notice it has a hole in the back. I think that one—unless I am mistaken, that one has a punch, and he will take the cigarette board there, and he will take the punch. It contains a small ticket bearing a number. If that number that he draws corresponds to one of the numbers appearing on the label, then he receives a pack of cigarettes, or two packs of cigarettes.

Senator TOBEY. Kind of pinhead stuff; is it not?

Mr. BROOKFIELD. This particular one is the punchboard, the business, as a whole. This is what we call a trade or money board. Here he will pay a penny—unfortunately I just happened to bring the penny boards.

(The chairman is now presiding.)

Senator TOBEY. He is talking about punchboards.

The CHAIRMAN. Is he testifying?

Senator TOBEY. Just beginning.

The CHAIRMAN. Good.

Senator TOBEY. Go ahead.

Mr. BROOKFIELD. This prize here, instead of being cigarettes, as they are, as it is there, is cash money. That is what we call it, but, however, there is a label showing that it is to be paid in trade.

Now, the testimony that I have had in a number of my punchboard cases, the number of cases which I have tried, show that "in trade" is put on the boards so that the local police will permit them to be operated in places where they do not let them use direct money—straight money boards.

Here is a money board. You will notice on the money boards the chances are 25 cents per punch, and the prizes run up to five and ten dollars.

Senator TOBEY. So you punch the hole right through the middle of this?

Mr. BROOKFIELD. You punch it right through here. If you are lucky, you get a chance at one of these seals. This is a seal board.

Senator TOBEY. Where do you draw out your number that you punch here?

Mr. BROOKFIELD. This one?

Senator TOBEY. Where did you get that, from the front or the back?

Mr. BROOKFIELD. You punch from the front.

Senator TOBEY. And it comes out the back?

Mr. BROOKFIELD. It comes out the back; yes.

Senator TOBEY. What do you get there?

Mr. BROOKFIELD. That is your ticket that determines whether you win anything.

Senator TOBEY. Did you win anything then?

Mr. BROOKFIELD. No, sir.

Senator TOBEY. In other words, they get the money, and the dealer of the store gets the benefit of the retail trade, does he, by taking it in trade—he makes a sale automatically?

Mr. BROOKFIELD. Very few are taken in trade. This is a straight money board. You would not find this type of board in very many retail stores. You would find that in places where they also have slot machines and various kinds of amusement devices.

Senator TOBEY. How prevalent are these all over the country? How much of this is carried on—a great extent?

Mr. BROOKFIELD. Yes, sir. Mr. Lichtenstein who, incidentally, is here today as a witness, testified that he estimated that in 1947 the sale of punchboards in the United States, just the boards themselves, amounted to about \$10,000,000. That is divided among, I would say, between 30 and 40 manufacturers—the manufacturers.

Senator TOBEY. And the retail business; if they want to use them in their stores, do they buy them from the manufacturer?

Mr. BROOKFIELD. You can buy them; some manufacturers sell direct to the retail dealers. The usual course of trade in these punchboards is from the manufacturers to a punchboard jobber or tobacco jobber or candy jobber.

Senator TOBEY. So you have a middleman in between?

Mr. BROOKFIELD. You have a middleman. Then, some of the boards are operated—are put out, rather—by what they call operators. These operators buy the boards, and then place them with the retailer on commission.

For instance, the retailer gets 40 percent of the net take.

Senator TOBEY. Who rigs these things so that the fellow will not win too often?

Mr. BROOKFIELD. Well, they are more or less percentage, Senator.

Senator TOBEY. How is the bank take; what is the proportion?

Mr. BROOKFIELD. I have a catalog showing that. Here is a catalog of one of the punchboard manufacturers. It shows that this particular board—this is a Charley board, and Charley boards, as a rule have more prizes; they are smaller prizes, but there are more of them,

to keep the interest up, and this Charley board takes in \$120 and pays out \$79.20. Therefore the average profit to the retailer——

Senator TOBEY. In other words, beforehand they know what they are going to get?

Mr. BROOKFIELD. Yes. You can tell by the board. They buy them from these catalogs and salesmen.

Senator TOBEY. Well, the Congress has recently passed a law prohibiting the interstate traffic in slot machines as you know.

Mr. BROOKFIELD. Yes, sir.

Senator TOBEY. In your judgment and your experience in this business and so forth, would you feel that the principle under which Congress acts to preclude and prohibit slot machines going into interstate commerce, that that ought to apply here equally?

Mr. BROOKFIELD. I can speak now personally?

Senator TOBEY. That is all I want you to do.

Mr. BROOKFIELD. I would say so, because these punchboards are a source of gambling, and if the slot machines are going to be barred, why, you might say, it is going to open up the field wide to the manufacture of——

Senator TOBEY. Does the Government take any tax from the manufacturers of these, as they do in slot machines—the Federal Government?

Mr. BROOKFIELD. They at one time did. I do not know—whether there was an excise tax, I cannot tell you that right now.

The CHAIRMAN. Mr. Robinson, do you know about that?

Mr. ROBINSON. No; I do not know what the tax situation is. I would like, on that general line, Senator, to ask Mr. Brookfield if he knows what percentage of boards which are manufactured are used for outright gambling, and what percentage are used for what you refer to as merchandising.

Mr. BROOKFIELD. Mr. Robinson, I have had testimony from several manufacturers and their testimony varies only less than 5 percent. Most of them say that at the present time, money boards represent around 90 percent of the volume. One, I think, said that it represented 97 percent; another one said 95, so that we can safely assume that from the volume of the boards, 9 out of 10 that are sold are strictly gambling boards; that is, money boards.

There is also testimony in several cases, especially the Sax cases, that the boards that are actually labeled for merchandising are, in fact, used entirely for gambling. For instance, they put out a board that provides for distributing as many as and as high as 5,000 cigarettes.

The CHAIRMAN. Five thousand what?

Mr. BROOKFIELD. Cigarettes. The testimony in that case was that, from one of these Sax representatives, the reason they used 5,000 was because instead of paying off 5,000 cigarettes, the operator of the board actually paid out \$50 in cash, and that the cigarettes were a subterfuge to get around local laws.

Mr. ROBINSON. Well, in other words, the so-called merchandise boards are interchangeable in the sense that they can be used for straight gambling?

Mr. BROOKFIELD. Oh, they can take the label off of them, yes, whereas the other, I don't think, is quite so true because the merchandise boards, as a rule—for instance, this cigarette board, the retail price

would be about 60 cents; whereas that board would sell for two or three dollars.

Senator TOBEY. Which is the most expensive proposition, this one here?

Mr. BROOKFIELD. The money boards, as a rule.

Mr. ROBINSON. What percentage would you say, on an average, the user of the board gets by way of profit? Has there been any general average estimated in the event that the whole board is punched out?

Mr. BROOKFIELD. The seller, you mean, the retailer or the sucker?

Mr. ROBINSON. The person who uses the board, who buys the board for use, what is his percentage of the profit on that?

Mr. BROOKFIELD. Well, it would vary. As I pointed out in this catalog here, some of them—for instance, here is one that takes in—the board costs him about \$4, I think, and that takes in \$120, and pays out \$79.20.

The CHAIRMAN. What is that, now?

Mr. BROOKFIELD. This particular board takes in \$120 and pays out \$79.20. These are rather high pay-out boards, I might say.

Here is one that takes in \$300 and pays out \$224.

Senator TOBEY. Well, on that board that takes in \$120 and pays out \$80, approximately, I am the drugstore who has these, we will say. What do I get out of that \$40 surplus?

Mr. BROOKFIELD. You are the drugstore?

Senator TOBEY. Yes.

Mr. BROOKFIELD. You get that entire profit, less the price of the board, which would run maybe \$2, \$2.50, or \$3.

Senator TOBEY. You buy the boards in the first place, and you own them then?

Mr. BROOKFIELD. Yes. There are another class of people who put these boards out on commission, as I have said.

The CHAIRMAN. Which are they, and how do they work?

Mr. BROOKFIELD. They are what you call operators. They buy the boards directly from the manufacturers; they are shipped to their location; then they either have trucks, station wagons, or cars, and they put them out, have a regular route; and put a board out here today; for instance, they will put out this board in a grocery store, tavern, or service station, and the tavern owner will get 50 percent of the profit punched out, and the so-called operator the other 50 percent, but that is the only business they have—just putting out these boards.

Senator TOBEY. Is the use of these growing in the country?

Mr. BROOKFIELD. Well, I would say that probably the use of money boards is growing; yes. In other words, the percentage—at one time when punchboards first came out, which is some 35, 40—

Senator TOBEY. What is the Federal Trade Commission doing with respect to this matter? This comes within their purview of lotteries and so forth.

Mr. BROOKFIELD. Yes, sir; but only the merchandise boards. The Commission gets its jurisdiction because the courts have held, in a long series of cases, beginning with the Keppel cases in the United States Supreme Court, that the distribution of merchandise by lottery is an unfair—

Senator TOBEY. Trade practice.

Mr. BROOKFIELD (continuing): Trade practice to competitors, and contrary to public policy, and therefore unfair to—

Senator TOBEY. Then on that decision the Federal Trade's attitude is to go and put them out of business.

Mr. BROOKFIELD. But we proceed against the people who sell the deals. By "deal" I mean the board and merchandise.

Senator TOBEY. They do not proceed against the man handling them?

Mr. BROOKFIELD. We have proceeded against the—

Senator TOBEY. Store.

Mr. BROOKFIELD. We cannot proceed against the local retail store, sir, because we do not have—it is not interstate commerce.

Senator TOBEY. Well, if that is so, that is about the only thing they do not construe as interstate commerce.

Mr. BROOKFIELD. So we proceed against the manufacturer.

Senator TOBEY. How much have you proceeded against in the last 5 years; how many cases have you brought to trial?

Mr. BROOKFIELD. I would say in the last 5 years, an average of all different kinds of lottery merchandise—there are many different kinds besides punchboards; there are the push-card deals which, in my opinion, are even more—

The CHAIRMAN. Speak a little louder, Mr. Brookfield, so that everybody can hear.

Mr. BROOKFIELD. I am sorry. The push cards which are sent out in the mail to children are even worse than the punchboards because the punchboard does not appeal to children.

Senator TOBEY. Have you prosecuted and did you get verdicts in these cases?

Mr. BROOKFIELD. We have—ever case that the Commission has issued its cease and desist orders and gone to the courts, with the exception of one, the courts have upheld the Commission's orders.

Senator TOBEY. What does the Commission want? Does it recommend legislation of some sort?

Mr. BROOKFIELD. I was not informed as to anything that the Commission wanted. I was—

Senator TOBEY. Put it this way: What are you figuring would be the most effective way to stop this gambling?

Mr. BROOKFIELD. The only way—of course, the only way—to stop the interstate distribution of punchboards—

Senator TOBEY. Is the same as you did with slot machines.

Mr. BROOKFIELD. Is by a law prohibiting the transportation in commerce.

Senator TOBEY. Well, that will not stop their being manufactured in Massachusetts and being used in Massachusetts, would it?

Mr. BROOKFIELD. I do not see how it would, sir.

Senator TOBEY. No.

The CHAIRMAN. Mr. Brookfield, I understood that in one version of the slot-machine bill, punchboards were included, but they were so difficult to describe legislatively that it was finally dropped out for that reason.

Do you know anything about that?

Mr. BROOKFIELD. No, sir; I was not—I had nothing to do with the slot-machine bill, which was a pure gambling bill, and the Commission

has never taken the position that we can prevent gambling, as such, but only in connection with the selling of merchandise.

Senator TOBEY. Mr. Kefauver, you are a lawyer. Could not this matter be handled by a simple paragraph in the law which would include—we have got slot machines now—but suppose we had it in such a way so that it would include slot machines, punchboards, and all devices, whereby the element of lottery is brought in? You can describe it very simply in some good English language, five or six lines; would it not be inclusive enough?

The CHAIRMAN. I think our good lawyers on our staff could certainly get up good language working with Mr. Brookfield and the Department of Justice and others, so that it would include these sort of gambling operations.

Your jurisdiction is that it is an unfair trade practice to have them in connection with merchandise?

Mr. BROOKFIELD. Yes; and our jurisdiction—the Commission, rather, is taking the attitude—I think it is sound—that we should only confine our activities to the use of lotteries in connection with merchandise, because——

The CHAIRMAN. What about if it is a pure money lottery, do you have any jurisdiction then?

Mr. BROOKFIELD. We have never tried to take it, and I do not think the courts would uphold it.

The CHAIRMAN. That is about 95 percent of it, as you say, being the money part of it?

Mr. BROOKFIELD. That is 95 percent of the volume of the punchboard business itself, of the punchboard manufacturers themselves. The money boards are manufactured by the manufacturers, but there is still a substantial business but, as I say, the Commission has had orders against approximately 200 different candy and novelty merchandise people who have been at one time—before the Commission started its prosecution, 85 percent of all the box candy in the United States was sold by means of punchboards.

Senator TOBEY. Isn't the real evil to society, if it be such, in this game here which, of course, is piddling compared to a lot of other things—but does it not lie in the fact that here you come by the intimate contacts with children and families coming into a store, and you inculcate or you stimulate an interest in getting something for nothing by this little device here, cleverly gotten up, which people, as they grow older broadens and deepens their passion for gambling, and so forth, and works into the race track and everything else, and it grows in the minds of the people and part of their lives? Isn't that the real danger?

Mr. BROOKFIELD. I would say that your question is a little over my head, Senator, because I would say that at the present time the Commission has stopped the so-called penny pushcard business almost altogether.

When I was a kid, and when most of the men here in this room were kids, every corner grocery had some kind of what they called a penny draw, where the kids went in and paid a penny. They either punched a pushcard or they took a chance on a piece of candy.

Senator TOBEY. Well, I remember as a child being on a merry-go-round—I have been on a good many since then—but we got on horses, and you paid 5 cents, and you rode around on the horses.

There was a brass ring, a ring which dropped down every time you went by, and if you got the brass ring you got a free ride. I remember the thrill when I got the brass ring. That is the same principle as far as that goes.

Mr. BROOKFIELD. I think it has been my experience, both personal and from observation in connection with these cases, that there is a natural tendency——

The CHAIRMAN. A little louder, please. The rest of the people cannot hear you.

Mr. BROOKFIELD. I think there is a natural tendency among all of us to gamble, and it is just a question of how we do it, and to what extent. This pushcard here, when the Commission in 1936 really started a drive on these candy merchandise, you would find these in every store in the United States, to a great extent. I won't say every store.

Now it is hard to find one, but in place of that you would find in the taverns, drug stores, places like that, you would find the punchboards, and I think with the passage of the slot-machine law you are going to find more and more of them. This is a similar type board. That is just the front of it. It goes on the back of any board of that size.

The CHAIRMAN. Any other questions, Senator Tobey?

Senator TOBEY. No.

The CHAIRMAN. Mr. Robinson, you have a number of questions.

Mr. ROBINSON. Mr. Brookfield, to go back to your testimony about one particular board and the amount of profit that the purchaser of the board can obtain from the particular board, I believe you stated that it was \$120, and the pay-out would be about \$80; is that correct?

Mr. BROOKFIELD. I think we had one——

Senator TOBEY. \$120 to \$80; yes.

Mr. ROBINSON. Now, it is entirely possible, is it not, that that percentage may be greater in the event that the board is not entirely punched out, and the winnings do not reach \$80 at some particular time?

Mr. BROOKFIELD. That pay-out, I might say, is the maximum pay-out. Lots of times a board may be—for instance, we will take a board, this one that has a \$30 principal prize. The chances of getting that principal prize are much greater than would appear from the board.

Mr. ROBINSON. What I am getting at is this, that the board could be punched, say, for example, so that the owner of the board or the user of the board got \$80 or \$90 without paying out any more than possibly \$5 or \$10.

Mr. BROOKFIELD. Yes; that is true.

Mr. ROBINSON. And tear up the board after that?

Mr. BROOKFIELD. Yes.

Mr. ROBINSON. And not finish out the use of the board. Do you know whether that is a common practice or not?

Mr. BROOKFIELD. I don't know whether that is a common practice, but I imagine in some places it would certainly appear to the man who was operating the boards.

Mr. ROBINSON. Now, what are the names of the major manufacturers?

Mr. BROOKFIELD. I would say from that that the major manufacturers of the boards in the United States now——

The CHAIRMAN. Give us not only the names of the manufacturers, but the names of the operators and officers and the operators of these operations. Maybe you want to ask detailed questions about each company.

Mr. ROBINSON. That is all right. I wanted to go into that, Mr. Chairman, first, with the listing of the names of the major manufacturers and their owners and the places of distribution, and so forth, and the volume of business, if you have it.

Mr. BROOKFIELD. Senator, some of them I can give you, the ones I have, which, I think, are all the principal ones.

The CHAIRMAN. All right.

Mr. BROOKFIELD. Not in any specific order, the Globe Cardboard Novelty Co., in New York.

The CHAIRMAN. Mr. Robinson, while you are on each one of these, do you want to ask specifically about them?

Mr. ROBINSON. All right. Do you know who the owner of that company is?

Mr. BROOKFIELD. At the present time, Louis Broudo is the principal owner. There was a Mr. Morris Aaron, who was in that company, but I am told he has sold out to Mr. Broudo.

Mr. ROBINSON. Now, they are manufacturers exclusively of punchboards, or do they manufacture any allied products?

Mr. BROOKFIELD. They manufacture punchboards and punchcards. I don't know of anything else they manufacture.

Mr. ROBINSON. Do you know what their volume of business is, roughly?

Mr. BROOKFIELD. No, but I would say that they are among the six biggest anyway.

Mr. ROBINSON. I see.

Do you know where they distribute? Do they distribute entirely in New York State?

Mr. BROOKFIELD. Oh, no, in every State.

Mr. ROBINSON. Or all over the country?

Mr. BROOKFIELD. Oh, no. You will find Globe punchboards in practically every State of the Union.

Mr. ROBINSON. All right.

The CHAIRMAN. You say their volume of business is in six figures anyway?

Mr. BROOKFIELD. Half a million or—

The CHAIRMAN. I mean, do you think it is half a million or a million?

Mr. BROOKFIELD. Probably at the present time between a half and a million. The reason I am not familiar with the present activity of this company is because of the case I had against them which was some 3, 4, 5 years ago when I took the testimony.

The CHAIRMAN. Who is this Louis Broudo?

Mr. BROOKFIELD. He is a resident of Philadelphia. The Globe Cardboard Novelty Co., which is the Globe Printing Co. also, was formerly located in Philadelphia. When the Pennsylvania law against the manufacture of punchboards was passed, they moved to New York City—their manufacturing operations. Broudo is still in Philadelphia.

Another New York manufacturer, although considerably smaller than Globe, is Bork Manufacturing Co. It was formerly operated

by Alvin Borkin. They manufacture, so far as I know, nothing but punchboards.

The third——

Mr. ROBINSON. Do you know what their volume of business is?

Mr. BROOKFIELD. That case was settled, Mr. Robinson. I did not take any testimony in it, and their volume of business is probably in six figures, but not over \$100,000.

Mr. ROBINSON. Do they distribute all over the country, too?

Mr. BROOKFIELD. They distribute pretty well all over the country. I have seen their board as far west as Seattle.

Mr. ROBINSON. All right.

Mr. BROOKFIELD. The third New York manufacturer is U. S. Printing & Novelty Co.

The CHAIRMAN. U. S. what?

Mr. BROOKFIELD. Printing & Novelty Co. They are located at 195 Christie Street, and the officers are Benjamin Blush——

The CHAIRMAN. Is that New York City?

Mr. BROOKFIELD. Yes. Jack Blush, and Hyman Abramowitz. They operate mostly along the northeast coast, in the North Atlantic States. They do not have a general distribution such as the others do.

The CHAIRMAN. As you go along, if you have any boards that these different people manufacture, you might show them.

Mr. BROOKFIELD. It is very hard to tell who manufactures the board because they do not want the Commission's investigators to pick them up and see the name. It used to be that all of them put their names on the back, but you do not see that very much, sir, so it is pretty hard to tell unless I happen to have——

The CHAIRMAN. You mean they will not even put the name of who manufactured them on the back?

Mr. BROOKFIELD. Some of them, for instance, Harlich Manufacturing—that is Mr. Lichtenstein's company—he still puts his name on the board, but most of them do not.

I have to find somebody who is familiar with all of these boards, or once in a while they put them on the tickets themselves, which will have a watermarked name of the owner. I don't think I have any of the boards manufactured by any of the three companies, because those were uncontested cases, and we didn't have very many exhibits.

Coming down to the east coast, the only other east coast manufacturer is Mrs. Esther Zitserman, who operates the J. M. Howard Co., at Trenton, N. J.

The CHAIRMAN. What was the name of that company?

Mr. BROOKFIELD. J. M. Howard. She and her husband formerly operated the same company in Philadelphia, and they also moved out when the Pennsylvania law was passed. Her operations are confined to the east coast, and I would say that she was also in the \$100,000 to \$150,000 gross class. I may be exaggerating.

Then, there is the only company that I know of in the South, which is the General Sales Co., which was formerly operated by R. R. Saunders, in the Presbyterian Building, in Nashville.

The CHAIRMAN. Is that in Tennessee?

Mr. BROOKFIELD. Yes, sir.

(Laughter.)

The CHAIRMAN. In the Presbyterian Building?

Mr. BROOKFIELD. Yes, sir. That was his address.

The CHAIRMAN. Just for the record let it be known that I am a good Baptist.

(Laughter.)

Mr. BROOKFIELD. The General Sales Co. is practically out of business due to the fact that the only thing they manufactured was some three or four different kinds of money boards, and at one time made a few deals. However, Mr. Saunders is 74 years old, and his business is practically discontinued, as I say.

The CHAIRMAN. I think, in fairness, we ought to find out about this Presbyterian Building. Is that an office building?

Mr. BROOKFIELD. Evidently; yes, sir.

The CHAIRMAN. You do not think it has any connection with any church business?

Mr. BROOKFIELD. Unfortunately I have never been to Nashville, so I don't know, but that is an office building, and that was his office address.

The CHAIRMAN. Well, have you found any evidence of these boards being used in connection with church affairs?

Mr. BROOKFIELD. Punchboards, no; pushcards, yes. The pushcards are used by American Legions, Legion posts, and some churches and various organizations, in connection with fund-raising campaigns. They are, however—the prizes in that type of campaign are usually merchandise of some kind.

The CHAIRMAN. Go around to get people to give them merchandise, and then use the punchboard to dispose of that; is that the way?

Mr. BROOKFIELD. Not so much that as—they usually use a small pushcard type where it has, maybe, from 1 to 40 punches, and a concealed center, and usually each punch has a girl's name on it, and there is a concealed name that is punched after all the—the prize of the punches may run from 1 to 35 or 1 to 45 cents, and there is one particular prize that is punched out, and whatever girl's name is under that concealed punch is the winner. That is the usual form that is used for fund-raising campaigns.

The CHAIRMAN. The one you have there in your hand has a picture of a radio on it.

Mr. BROOKFIELD. Yes. This one is—I just used that as an illustration of the pushcard, sir. That is one that is put out in the mails. There are thousands—in fact, there are millions—of those mailed every day through the mails, but with an explanation that two prizes are given; that is purely for distribution of merchandise. I would not say that it is very much any other form of gambling except that.

The CHAIRMAN. Excuse me, Mr. Robinson.

Mr. ROBINSON. Do you have other companies? If you do, just follow down your list.

Mr. BROOKFIELD. Yes. In Muncie, Ind.—

The CHAIRMAN. Muncie?

Mr. BROOKFIELD. Muncie—is Gay Games, Inc. The owner of that company is Guy Noel. They manufacture punchboards, and they probably sell a few jar games.

The CHAIRMAN. What?

Mr. BROOKFIELD. Jar games.

The CHAIRMAN. What is that?

Mr. BROOKFIELD. A jar game—they will have a large-mouthed jar, about so big, and instead of having a punchboard with the numbers concealed in it, they will put tickets, sealed tickets, such as this, in the jar, and a label at the top telling which numbers are winners, and which will win, and you just lift it out of the jar. It is a very much cheaper way to gamble, I mean, for the proprietor it is much cheaper for him to buy these tickets, and buy a hundred, than it is from the punchboard. From the gambling standpoint this is one of the competitors of the punchboards. Some few of the companies make both; most of them do not.

The jar-game people are to some extent a different class of manufacturer and seller than from strictly punchboards.

The CHAIRMAN. What sort of class are they?

Mr. BROOKFIELD. I mean they are interested, they sell, some of them—for instance, Universal Manufacturing Co. down in Kansas City sells jar games, and football pool, various kinds of tickets; in effect, they claim to have invented the jar games.

The CHAIRMAN. All these things are sent through the mails?

Mr. BROOKFIELD. Most of the punchboards are not sent through the mails.

The only thing that really goes through the mails are these little pushcards which, by some ruling of the Post Office Department, until recently were not considered lottery devices, were not considered to come under the lottery ticket law, because at the time they went out they did not have to be used as a lottery.

The CHAIRMAN. Are they considered lottery tickets now?

Mr. BROOKFIELD. The Post Office Department recently issued a fraud order against the company.

The CHAIRMAN. That has been just about 2 or 3 months ago; has it not?

Mr. BROOKFIELD. Yes; that has been enjoined by a court decision.

The CHAIRMAN. Give us the history of that decision. It is rather interesting—I mean of that injunction proceeding.

Mr. BROOKFIELD. That was the Post Office case, and I am not familiar with it as I should be.

The CHAIRMAN. All right, sir.

Mr. BROOKFIELD. The only thing I know is that it was issued, and that Judge Holtzoff recently granted them a temporary injunction against enforcing it.

Mr. ROBINSON. While you were talking about the jar games, you mentioned a company in Kansas City. Could you give further information on that company?

Mr. BROOKFIELD. That is the Universal Manufacturing Co. of Kansas City which is, to all intents, owned and operated by the same people who operate the Bee Jay Products, Inc., a punchboard manufacturer in Chicago.

The active officials are Joseph Berkowitz and his son, Reuben Berkowitz. Reuben Berkowitz operates the punchboard—is the active head of the punchboard company in Chicago, and the Commission investigation developed that Joseph Berkowitz was the originator of the Universal Manufacturing Co. That company makes various kinds of jar games and tickets, too, of various kinds for jar games, and various others.

Mr. ROBINSON. They make tickets for football and baseball pools?

Mr. BROOKFIELD. In fairness, as I have said before, Mr. Robinson, I am handicapped because the Commission was only interested in the merchandising end of their business, but they did manufacture——

Mr. ROBINSON. Do you know what Mr. Berkowitz' first name is?

Mr. BROOKFIELD. Joseph.

Mr. ROBINSON. Joseph?

Mr. BROOKFIELD. The older one is Joseph, and the son is Reuben.

Mr. ROBINSON. Do you know whether Joseph Berkowitz has any criminal record or not?

Mr. BROOKFIELD. Only from the investigation file in the Commission's office, which shows that a police officer told the investigator that he did, which is pretty far hearsay. The Commission's attorney-examiner's report shows that this police officer in Kansas City stated that Joseph Berkowitz had been convicted for something in connection with lotteries.

Mr. ROBINSON. Was it conspiracy to violate the lottery laws by manufacturing counterfeit lottery tickets?

Mr. BROOKFIELD. He did not go into that at great length.

The CHAIRMAN. Is that what our records show, Mr. Robinson?

Mr. ROBINSON. I believe that is what the record that I looked at in the Federal Trade Commission indicated, that this was some information to that effect, that Joseph Berkowitz had been indicted——

Mr. BROOKFIELD. Convicted in connection with——

Mr. ROBINSON (continuing). Convicted in connection with the manufacture of counterfeit lottery tickets.

Mr. BROOKFIELD. I think that is what the file shows.

Mr. ROBINSON. That is right.

Now, could you give the names, briefly and quickly, Mr. Brookfield, of some of the other larger manufacturers?

The CHAIRMAN. Let him go down the list and give all, if he has them all. How many do you have?

Mr. BROOKFIELD. I have altogether about less than 20.

The CHAIRMAN. Since we brought out some, I think we ought to bring out all we have got.

Mr. BROOKFIELD. In Chicago, I might say, there is the——

The CHAIRMAN. By the way, before you leave this Universal Manufacturing Co., and the Bee Jay Co. of Chicago, that is one of the very large ones; is it not?

Mr. BROOKFIELD. The Bee Jay bought out Brewer, which was one of the original large punchboard companies, and you will find their boards in every location in the country, so I would say they are doing a considerable business.

The CHAIRMAN. Do you have any estimate—I think we have some record on that—as to the amount of business they do.

Mr. BROOKFIELD. No, because the investigator, unfortunately, did not get that, and we did not take any testimony because they filed an admission answer.

The CHAIRMAN. But it is one of the biggest operations?

Mr. BROOKFIELD. At the present time, I would say, yes.

The CHAIRMAN. Bee Jay, and its subsidiary Universal Manufacturing Co. of Kansas City.

Mr. BROOKFIELD. Well, let us say it is an affiliate because they—I am not trying to ——

The CHAIRMAN. They are separate corporations, but they are owned by the same people.

Mr. BROOKFIELD. And the Universal, though, is engaged primarily in selling jar games and tickets, and Bee Jay is the punchboard, and that is the reason I said affiliate rather than subsidiary.

The CHAIRMAN. Yes.

Mr. BROOKFIELD. In Chicago—the largest companies, I would say, are located there. There is Gardner & Co., which is operated by Irwin Feitler and his wife, Bernice.

The CHAIRMAN. Spell that.

Mr. BROOKFIELD. F-e-i-t-l-e-r, and by his wife, Bernice. They claim, according to their advertisements, to be the biggest punchboard manufacturers in the world. They are located at 2222 South Michigan. Another of the large ones—

The CHAIRMAN. What do they manufacture, just punchboards?

Mr. BROOKFIELD. They manufacture nothing but punchboards. They testified that they have even discontinued to manufacture push-cards.

Mr. ROBINSON. Do you have any idea of what their volume of business is, what their gross sales are annually, approximately? Would it run over one or two or three million dollars?

Mr. BROOKFIELD. I would say it would certainly run over a million dollars. The reason I say that is because Mr. Lichtenstein in 1947 testified that his sales at that time were running over a million dollars, whereas, I think at the present time Feitler is doing more business than Lichtenstein.

Being as I mentioned Lichtenstein, I will say the next one in Chicago is the Harlich; it is operated by the Lichtenstein family. Mr. Lichtenstein is here today. They manufacture punchboards, and at one time they manufactured other paper products not connected at all with gambling, but I don't know whether they still do that or not.

Mr. Lichtenstein, when he testified in 1947, stated that he thought that the volume of the punchboard business in the United States was \$10,000,000.

The CHAIRMAN. That is the amount of the sales?

Mr. BROOKFIELD. Yes, of the boards, not the amount of merchandise or money that is distributed, but just the sales, the price of these boards, which amounts to about \$10,000,000.

The CHAIRMAN. Well, you had some boards that cost \$3, that brought in \$200, did you not?

Mr. BROOKFIELD. But he was talking about the volume of the sale of the boards as items of merchandise; in other words, there were \$10,000,000 worth of boards. Of course, nobody could figure out how much money was actually distributed by them, although it could be analyzed to show, perhaps, over \$100,000,000.

His own volume in 1947 was about \$1,200,000, and this had decreased from \$1,800,000 in 1943. I have not heard anything of that company since then except that I know they are still in business.

The CHAIRMAN. He is here?

Mr. ROBINSON. Yes; he is here.

Mr. BROOKFIELD. Mr. Lichtenstein himself is here.

I guess at the present time, the other one, the other of the larger manufacturers, is Superior Products.

Mr. ROBINSON. That is located in Chicago?

Mr. BROOKFIELD. These are all Chicago, 2153 West Fulton, which is one of the Sax companies, operated by Mr. Max Sax as president; Consolidated Manufacturing Co. at 2001—

The CHAIRMAN. Give the other officers of Superior Products. It is the Sax family, is it not?

Mr. BROOKFIELD. Well, Superior, the president and treasurer are Max Sax or M. Robert Sax. He operates the company, and the only two other corporation officers are an attorney, and his sales manager.

The CHAIRMAN. We have got a memorandum filed here somewhere of the Sax operations.

Mr. ROBINSON. I do not have it with me. It is back in the office.

Do you know whether he is a relative of George Sax?

Mr. BROOKFIELD. Yes; he is his brother.

Mr. ROBINSON. Do you know whether Mr. George Sax has any interest in the business at the present time? Do your records disclose that?

Mr. BROOKFIELD. No, sir. We were unable to establish any interest other than by Max Sax at the hearing. The trial examiner threw out my evidence to find out who the stockholders were.

Mr. ROBINSON. So you have no information as to who is the controlling stock owner of the Superior Products Co.?

Mr. BROOKFIELD. No. They are the oldest of the punchboard—the Sax punchboard companies. There are four of them. The other one in Chicago is Consolidated Manufacturing Co.

Mr. ROBINSON. Who is the owner of that?

Mr. BROOKFIELD. The president and operator is Chester Sax. That is, as I say, 2001 South Calumet; the Sax interests also own the Container Manufacturing Co. in St. Louis; Max is president, and at the time I had my hearing last year, William Stone was vice president. He is an employee of the company. Those were the only two officers who were apparent in the set-up.

Mr. ROBINSON. Do your records show who were the stock owners of either of the two latter-mentioned companies?

Mr. BROOKFIELD. No. There was objection by the attorney for the companies, and it was sustained when I tried to prove the stockholders.

Mr. ROBINSON. Incidentally, do you know what the volume of business done by each one of those companies is?

Mr. BROOKFIELD. I am not aware in dollar volume, but they are among the best-distributed punchboards in the United States. I don't think there was a single place that I have had any contact with people who used them, who have not bought boards from those three companies.

They are using them and they are sold all over the country, and there is a further company, Container Consolidated, which has just been organized since my case against these people started, and it is a Sax company, because the orders are handled by the same people who handled Consolidated Container separately, and the same salesmen are employed, but we have had no investigation as to Consolidated Container as yet.

Mr. ROBINSON. I see.

Mr. BROOKFIELD. So that I would say the four Sax companies are, probably as a group, the biggest part, biggest individual unit of the punchboard industry—probably the four Sax companies.

Mr. ROBINSON. A manufacturer exclusively of punchboards, to your knowledge?

Mr. BROOKFIELD. Those companies do. Then, there is the Sax company down in Peoria, Ill., called Gam Sales Co. It manufactures jar games, football tickets, and baseball tickets, and other forms of gambling devices, of which the Commission cannot take jurisdiction, and we have not gone into that at great length.

Mr. ROBINSON. Do you have any knowledge of who the owners or who the officers of that company are?

Mr. BROOKFIELD. The information I have on that company is old, Mr. Robinson. That goes back to 1938, and the officers were Morris Sax and George Sax. I don't know whether that is the George Sax in Chicago or not. I think it is the George Sax——

The CHAIRMAN. George Sax, who has the Saxony Hotel in Miami Beach?

Mr. BROOKFIELD. If George Sax, who has the Saxony Hotel in Miami Beach, is the Sax in Chicago, and he has the same initials as the George Sax who was in Peoria in 1948——

The CHAIRMAN. Well, the committee's records show that is the same George Sax.

Mr. BROOKFIELD. This is the type device that is manufactured by Gam, that was manufactured by Gam Sales Co. when we were investigating them. It is a baseball ticket book; I don't know how it is operated, unfortunately.

Mr. ROBINSON. Do you know what the cost of this item is?

Mr. BROOKFIELD. Those ran about—I think around three fifty. I think they were about three fifty a hundred at that time.

The CHAIRMAN. A hundred of these for \$3.50?

Mr. BROOKFIELD. For a hundred. I think that was about what it was.

The CHAIRMAN. How much could you bet with that amount, any amount you wanted, I suppose?

Mr. BROOKFIELD. I am not familiar with that form of ticket at all. I just picked it out of the files. I do not have the Gam case.

Mr. ROBINSON. Do you know how these tickets are distributed? What I am getting at is who, generally, if you know, purchases that type of merchandise? Is it stores or is it individuals?

Mr. BROOKFIELD. I would say it is—some of them are sold by individuals, and then the same people who purchase the jar deals—of course, these tickets here, from observation, I would say that they are probably a straight gambling device, and would be handled by the same people who handled the numbers bets.

Mr. ROBINSON. All right.

Mr. BROOKFIELD. But the jar deals, and the other tickets that are sold by these other companies I mentioned, are handled by the operators of the poolrooms, taverns, and places where people hang out.

Mr. ROBINSON. Go right ahead, Mr. Brookfield, with the remainder of your list.

Mr. BROOKFIELD. All right. Another company in Chicago——

The CHAIRMAN. Are you about to leave the Sax interests?

Mr. BROOKFIELD. Unless there are some questions on it.

The CHAIRMAN. We have records here to show and indicate that the gross sales of Consolidated are in excess of—per year of—a million dollars. Would you think that would be correct?

Mr. BROOKFIELD. I think so; yes, sir. I would say that probably all of them run just about the same thing, a million dollars for each of the four companies. I have to make that—

The CHAIRMAN. Then, at the offices of Consolidated Manufacturing Co. are Chester Sax, president and treasurer; Irvin Sax, vice president; Arnold J. Sax, assistant vice president.

Mr. BROOKFIELD. That is more recent information than we had at the time we issued the complaints.

The CHAIRMAN. Then there is a report here we have on the Container Manufacturing Co. in St. Louis; their sales in 1947 were something over a million dollars, in 1948 about a million dollars, and that the officers are Max Sax, president; Jack Morely, vice president; and William Stone.

Mr. BROOKFIELD. In 1947, that is probably the number of officers; yes—they are probably the officers.

The CHAIRMAN. Is that correct?

Mr. BROOKFIELD. Yes. William Stone and Morely.

The CHAIRMAN. We have the record on these other companies which some way or another are not here yet, and we would like to ask you about that later on, Mr. Brookfield.

But you think each of the companies do something over a million dollars worth of business?

Mr. BROOKFIELD. Of those four that I have mentioned, yes, sir.

The CHAIRMAN. All right, go ahead.

Mr. BROOKFIELD. Then there is Mercury Industries, 5650 North Northwest Highway in Chicago. The Commission, so far, has not completed any investigation of them, so I know nothing about them except that I know that their boards are distributed well over the country, as we have had cases against some of their jobbers in Washington and Oregon.

The Empire Press is the manufacturer of money boards; nothing but gambling boards.

The CHAIRMAN. Empire Press? Where is that located?

Mr. BROOKFIELD. 637 South Dearborn. They are manufacturers of—I think this is the Bee Jay type right there. I had some Empire here. That is one of the Sax boards; that is a Harlich board.

Mr. Robinson, this catalog that I was quoting from is the Empire catalog.

Mr. ROBINSON. Let us see.

The CHAIRMAN. All right, go ahead, Mr. Brookfield, tell us who operates the Empire.

Mr. BROOKFIELD. I know nothing about that one because I have not had that—that is another Chicago operator about whom I know practically nothing, because they have never come up before the Commission, or else they are being investigated, and have not gotten to me yet, so that the record is still confidential, and that is Black Hawk Manufacturing Co.

Pioneer—

The CHAIRMAN. Black Hawk Manufacturing Co. where?

Mr. BROOKFIELD. In Chicago.

The CHAIRMAN. What address do you have for it?

Mr. BROOKFIELD. 1823 West Berteau. They manufacture both money boards and some merchandise boards, primarily money boards.

The Pioneer Manufacturing Co., the address of that is 2350 West Cermack. I don't have any information as to the operators of that,

although I probably could have gotten it if I had more time. Gardner & Co.; I have covered that, haven't I?

The CHAIRMAN. Gardner & Co.?

Mr. BROOKFIELD. Those are the Feitlers, yes.

Mr. ROBINSON. I think you did cover that.

Are there any other companies in Chicago?

Mr. BROOKFIELD. Of manufacturers? When I was on the west coast last fall I heard that Jerry Scanlon, who was formerly associated with Black Hawk and branched out for himself, but I have never seen any of his boards and we don't have anything on him in the Commission.

Mr. ROBINSON. Does that cover all in Chicago?

Mr. BROOKFIELD. That covers all of the principal manufacturers that I know anything about in Chicago.

The Chicago telephone directory lists a number of small companies, but investigation usually finds that they are nothing but jobbers.

The CHAIRMAN. Nothing but what?

Mr. BROOKFIELD. Jobbers; jobbers of the boards.

I think I have covered the big companies in Chicago. There are the two Sax companies, Harlich, Bee Jay, and Gardner.

Mr. ROBINSON. What other companies do you have on your list?

Mr. BROOKFIELD. Now, I have two pushcard companies, but both of them are located in Eau Claire, Wis. They manufacture the little pushcards that I showed you, and those cards are used for various things, including the turkey raffles and merchandise and, of course, some of them are used to distribute money.

The CHAIRMAN. Give us their names.

Mr. BROOKFIELD. W. H. Brady & Co.

The CHAIRMAN. W. H. Brady?

Mr. BROOKFIELD. B-r-a-d-y.

The CHAIRMAN. Where is this located in Wisconsin?

Mr. BROOKFIELD. Eau Claire, E-a-u C-l-a-i-r-e. They have been manufacturing the pushcards for many years.

The CHAIRMAN. Do you know who operates this company?

Mr. BROOKFIELD. The family of Mr. W. H. Brady; the principal person concerned at the present time is W. H. Brady, Jr.

The other manufacturing company—

The CHAIRMAN. Do you know anything about the size of their operation?

Mr. BROOKFIELD. They were during the war practically down to nothing, but, in fact, they came in and filed an admission answer, but evidently business is picking up because they are contesting the complaint right now very strenuously. At one time they testified that their business was down to less than \$15,000 a year.

The CHAIRMAN. But you think they have gotten back on their feet again?

Mr. BROOKFIELD. Well, evidently so, because—in fact, their attorney told me that business had picked up to such an extent that they—that was the reason that they were contesting it.

The CHAIRMAN. All right.

Mr. BROOKFIELD. The other one is Ewald Thelacker, who trades as Top Manufacturing Co.

The CHAIRMAN. Where is he?

Mr. BROOKFIELD. He is also at Eau Claire, R. F. D. Eau Claire. He is a very small operator, and he only has a small printing press. You see, the pushcards can be printed by almost any job printer, whereas the punchboard requires expensive equipment.

The Hamilton Manufacturing Co. in Minneapolis is also one of the big companies. That was formerly operated by—it is a corporation—the former owner of it was Graf Wolf, but he is dead; and I imagine that the company is still being operated for his estate. They are one of the original five big punchboard companies. They probably do considerable in excess of a million dollars.

There are one or two very small companies. There is Arthur D. Wood in St. Louis.

The CHAIRMAN. Arthur D. Wood in St. Louis?

Mr. BROOKFIELD. Yes.

The CHAIRMAN. Give us all the names you have, Mr. Brookfield.

Mr. BROOKFIELD. Michigan City—or rather Michigan Paper Box Co., in Michigan City, Ind.

The CHAIRMAN. Who operates that?

Mr. BROOKFIELD. I don't know, sir. The investigation is under process, I think, now. I just got the names the same way I am giving them to you.

Then we have Wertz—that is either W-e-r-t-s or W-e-r-t-z Novelty Co. in Muncie; they manufacture jar games; they don't manufacture punchboards.

Mr. ROBINSON. All right, go ahead.

Mr. BROOKFIELD. They are very small, too.

The CHAIRMAN. I did not understand that last one.

Mr. BROOKFIELD. W-e-r-t-z; they are very small.

The CHAIRMAN. Where are they?

Mr. BROOKFIELD. In Muncie, Ind.

The CHAIRMAN. Who operates that, do you know?

Mr. BROOKFIELD. I think his name is Samuel Wertz, I am not positive of the first name, but the last name is Wertz.

The CHAIRMAN. Mr. Nellis has just suggested that Louis Hodwin operates the Paper Box Co. Do you know that name?

Mr. BROOKFIELD. No, sir; I just happened to pick up a Michigan Paper Box punchboard, and recommended that an investigation be made. That is as far as I know anything about it.

Mr. ROBINSON. All right. Are there any other companies?

Mr. BROOKFIELD. So far as I know, Mr. Robinson, that is all that I have had any contact with, the manufacturers.

Mr. ROBINSON. Are there any manufacturers on the west coast so far as you know?

Mr. BROOKFIELD. No manufacturers that I know of. There is a company out there that is jobbing boards. I think the Commission investigation shows he is only a jobber.

The CHAIRMAN. What is his name?

Mr. BROOKFIELD. That is the Sportsmen's Supply Co., Box 887, Long Beach.

The CHAIRMAN. Do you know who operates the Sportmen's Supply Co.?

Mr. BROOKFIELD. The letter which we have is signed W. E. Lee.

Mr. ROBINSON. Mr. Brookfield—

The CHAIRMAN. Excuse me.

Do you have something you wanted to say about it?

Mr. BROOKFIELD. The only thing I wanted to say is that I have here a circular from this company which shows that they are selling keyed punchboards, which means that they sell a punchboard and they also sell a key showing all the winning numbers. This is the first time I have come across that, in the 10 years I have been handling punchboard cases.

Mr. ROBINSON. Will you explain what the significance of that is, Mr. Brookfield?

Mr. BROOKFIELD. For instance, they sell a straight punchboard for \$4.95, and with the key they sell it for \$14.98. They furnish a secret key which locates, on some of them, all of the winners on the board. So that the retailer who buys the board can, as soon as he gets the board, punch out all the winners and the entire take will be profit. He won't have to pay out any profit at all.

That is the first one of these I have come across.

The CHAIRMAN. Mr. Burling.

Mr. BURLING. I didn't hear how much extra the key cost. Will you bring that out?

Mr. BROOKFIELD. On a board that he sells as a straight board—by "straight board," I mean a percentage board—\$4.98, with the key sells at \$14.98. Another one, which he sells for \$2.85, a smaller board, he sells with the key for \$9.96.

Mr. BURLING. The key wouldn't cost the manufacturer anything significant to produce, would it?

Mr. BROOKFIELD. I don't know how much it would cost.

Mr. BURLING. It is just a sheet of paper with numbers on it. It wouldn't cost more than a penny to print.

Mr. BROOKFIELD. Yes.

We don't know the manufacturer of these boards.

The CHAIRMAN. What is the take on these boards if you punch them all out, how much would it be?

Mr. BROOKFIELD. Take the one he sells for \$4.98. It takes in 25 cents a punch. There are 1,200 holes.

The CHAIRMAN. Twelve hundred holes.

Mr. BROOKFIELD. It pays out \$197. A profit of \$102 if it is run legitimately. If it is keyed out, why, he would take in the whole \$300.

Mr. ROBINSON. Who would know where the winning numbers are on the board?

Mr. BROOKFIELD. You mean these particular boards I am talking about, these keyed boards?

Mr. ROBINSON. Any board.

Mr. BROOKFIELD. The boards that are manufactured by any of the large manufacturers nobody would know, because it is done by machinery, all the numbers are mixed up and put into these holes by a mechanical means.

Mr. ROBINSON. Your point is that the manufacturer himself would not know where the winning numbers were on a board?

Mr. BROOKFIELD. On a straight punchboard?

Mr. ROBINSON. Yes.

Mr. BROOKFIELD. Oh, yes. That is the honest manufacturer. The manufacturer, such as these big companies, that depend for their existence on good will with their customers, they would never know.

As I say, that is done by machinery. I don't know how they arrive at the key.

Mr. ROBINSON. How would someone find out what the key was to a particular board?

Mr. BROOKFIELD. That is something I don't know. There must be some manufacturers making them that way. Because of the fact that it was not a money board, the Commission didn't pursue the subject further.

Mr. ROBINSON. There is nothing in the circular to indicate who the manufacturer is?

Mr. BROOKFIELD. No. He just called himself "America's fastest selling punchboard." This particular circular, handed me by a jobber of legitimate boards on the west coast, would lead you to believe that he is the manufacturer himself.

The CHAIRMAN. Let's direct an inquiry into that matter.

Of course, Mr. Brookfield, any of these other boards, you wouldn't know whether they had, in some cases, some of them anyway, you would not know whether they had some way of letting the operator know what the secret numbers were or not, would you?

Mr. BROOKFIELD. No; except from the testimony of all of the manufacturers and customers and retailers that I have had on the stand over the years, as to the way the boards are manufactured.

The CHAIRMAN. The only purpose at all in having a key would be to enable the operator, either himself or friends of his, to hit the lucky number and gyp everybody else?

Mr. BROOKFIELD. That is the purpose of it. This is purely a gyp game.

I am through with this circular, if Mr. Robinson wants it.

Mr. ROBINSON. Yes.

The CHAIRMAN. Any of these that you can let us have as exhibits for our records, we will take them.

Mr. BROOKFIELD. Anything I brought down here today is from cases that are either closed, before the Commission, or we are through with them, and you can have them.

The CHAIRMAN. We appreciate it.

Let's put this in the record.

Mr. ROBINSON. Yes. Brookfield exhibit 1.

The CHAIRMAN. Yes; exhibit 1. Then let's keep all of these other things.

(The document was marked "Exhibit No. 1" and is on file with the committee.)

The CHAIRMAN. Mr. Burling has some questions.

Mr. BURLING. I wanted to get this point clear: Assuming that I am a little bit dishonest and run a grocery store, or a novelty store, and that I buy this board called the Texas Charley on exhibit 1 that you just gave us, and assuming that I then punch out, by means of the key, the winning numbers. As I understand it, I have paid out \$14.98, and I take in \$300; is that correct?

Mr. BROOKFIELD. That would be right, if you punch all the winning numbers yourself, so that you would have a profit of two-hundred-some dollars, instead of a legitimate profit, approximately, of \$100.

Mr. BURLING. I want to ask you this, assuming that I am not dishonest, but play this board at a straight percentage. The board costs me \$4.98, and I take in \$300. I pay out \$197, and the profit is \$102.

Deducting the \$4 that I paid for the board, I make about \$95 on a \$5 sale; is that correct?

The CHAIRMAN. On a \$5 investment.

Mr. BURLING. Yes.

Mr. BROOKFIELD. Yes; on a \$5 investment.

Mr. BURLING. I think the committee would be interested in getting your best guess as to whether that is about the usual ratio of sale on the part of manufacturers of punchboard to total amount gambled; would you say it is high or low?

Mr. BROOKFIELD. I would say that is high. There are more of these boards, these cigarette boards, sold.

The CHAIRMAN. What is the percentage of the profit on that; you pay how much for the board?

Mr. BROOKFIELD. This board sells for about 60 to 65, 70 cents. The cigarette boards, you might say, are the punchboard industry's loss leader.

The CHAIRMAN. That is the 1-cent board?

Mr. BROOKFIELD. Yes.

Mr. BURLING. How many cents are there?

Mr. BROOKFIELD. This is a thousand-hole board, takes in \$10, pays out about two or three cartons, not over three cartons of cigarettes.

Mr. BURLING. If you are trying to get an estimate of the total amount gambled on a 60-cent sale, you will estimate that \$10 is the gamble; is that right?

Mr. BROOKFIELD. \$10 is gambled; yes.

The CHAIRMAN. On these football numbers, they cost almost nothing, and the amount gambled would be very substantial, wouldn't it? Football and baseball and basketball; is that right?

Mr. BROOKFIELD. Yes; they are like number tickets; they don't cost very much.

Mr. BURLING. The point I was trying to establish was that since we have several manufacturers whose business is in excess of a million dollars for the physical board, the estimate would seem justified that the volume of money gambled throughout the country runs into hundreds of millions of dollars. Do you agree with that?

Mr. BROOKFIELD. Yes. If Mr. Lichtenstein's estimate of \$10,000,000 worth of boards were sold is correct, and you figure that the average board would run anywhere—the amount gambled on it—would run from a minimum of, say, \$10, in this case, up to, some of the others, where the take is as high as \$300.

Mr. BURLING. So that you would agree that the amount gambled on punchboards would almost certainly be somewhere between 100,000,000 and a billion dollars a year?

The CHAIRMAN. You have a \$3 board—

Mr. BROOKFIELD. Yes. Between 100,000,000 and a billion. That is a right big spread.

The CHAIRMAN. You have a \$3 board, that plays \$300. That is 100 times over—100 times 10,000,000 would be—what, a billion dollars.

Mr. BROOKFIELD. That would be a billion.

The CHAIRMAN. These baseball and push cards, the jar boards, the investment is practically nothing.

Mr. BROOKFIELD. Then in some States the jar boards are even more popular than punchboards because they don't have to have a jar. For

instance, in Ottumwa, Iowa, in hotels, they were using a cigar box and were selling the tickets from a cigar box.

There is no way you can estimate as to the amount of money gambled by these various devices.

Mr. ROBINSON. Is there any particular area where punchboards are used more than other areas, Mr. Brookfield, to your knowledge?

Mr. BROOKFIELD. There are certain States where either they are legalized or not, there is no very strict enforcement, Montana and Idaho, they are legalized out there, you find them in practically every retail establishment, in hotels, except chain stores, things like that.

Mr. ROBINSON. Are there any other States where they are legalized, to your knowledge?

Mr. BROOKFIELD. The merchandise boards to some extent are legalized in Seattle, and in eastern Washington, around Spokane—I mean, western Washington, around Spokane they are not legal—in Seattle they can use all the merchandising boards they want. So that the cost per punch won't run over 10 cents.

Mr. ROBINSON. How about Nevada?

Mr. BROOKFIELD. I have asked three witnesses about the punchboard situation in Nevada and got the same answer, that Nevada is a very poor punchboard State, because punchboards cannot compete with the more exciting forms of gambling. There are a number sold there in outlying areas but Nevada is not the punchboard State you would think it would be.

The CHAIRMAN. Have you a list of the States where punchboards are legal?

Mr. BROOKFIELD. No, sir, I don't. I can procure that for you.

The CHAIRMAN. Mr. Robinson, let's get that and put it in the record.

Mr. ROBINSON. Do you have such a list among your records?

Mr. BROOKFIELD. No, sir. I would have to get it through research. That is the only way I could get it.

The CHAIRMAN. Let's get that information and put it in the record, Mr. Robinson.

Mr. ROBINSON. Yes.

Mr. BROOKFIELD. They are used, Senator, to a large extent in States that have laws against them. Pennsylvania has a punchboard law but Pennsylvania is also a very good source of sales for punchboards. Ohio is a good punchboard State.

The CHAIRMAN. They have a law against it, too?

Mr. BROOKFIELD. I think so. I know they have local laws.

The CHAIRMAN. I think there are just four or five States where they are legal; yet you find them in every State, don't you?

Mr. BROOKFIELD. Every State that I have ever been in.

The CHAIRMAN. All right.

Mr. ROBINSON. Do you know anything about the matter of the allocation of paper to the industry?

Mr. BROOKFIELD. From testimony we have in the record, including one of the cases on the west coast, during the war the War Production Board allocated 65 percent of the normal usage of the industry to the industry. Mr. Lichtenstein testified to that and there is also a War Production order to that effect.

Mr. ROBINSON. That was during the time when paper was scarce and there was allocations being made of that product?

Mr. BROOKFIELD. Yes. They were allocated 65 percent of their normal use.

The CHAIRMAN. How about newspapers and magazines, what were they allocated?

Mr. BROOKFIELD. I couldn't answer that, sir.

The CHAIRMAN. Was that about the same allocation as you have in all other business, do you think?

Mr. BROOKFIELD. I didn't have anything to do with the War Production Board. I just don't know. The only reason I knew about this was because there was testimony. They offered that as testimony to show what a legitimate business it was.

The CHAIRMAN. Mr. Robinson, let's get that information and put it in the record.

Mr. ROBINSON. Yes.

The CHAIRMAN. All right, go ahead.

Mr. ROBINSON. In the cases that come up before the Federal Trade Commission on trade practices is there some general defense that is usually put in by the manufacturers?

Mr. BROOKFIELD. Well, the theory of the defense of the punchboard manufacturers is that they are just as much entitled to sell punchboards as the playing card people are to sell playing cards. That seems to be their defense. It was overruled in the two cases which have gone to court, the Brewer case and the Modernistic Candy case.

Mr. ROBINSON. Do they, essentially, raise the defense that they are in the manufacture of gambling equipment rather than merchandising equipment?

Mr. BROOKFIELD. That has been the defense in the Sax cases specifically, that these boards are manufactured and used for gambling, and that the distribution of merchandise is secondary, and that the labels calling for merchandise distribution are intended as a subterfuge. That has been their principal defense.

The CHAIRMAN. Do you have a copy of the reply of the Sax companies to some of the complaints where that defense is set up?

Mr. BROOKFIELD. No; they didn't set it up in the written defense.

The CHAIRMAN. They set it up in the oral argument?

Mr. BROOKFIELD. In the testimony and in the examination of witnesses, and so forth.

The CHAIRMAN. Let's get that clear. There couldn't be a violation of the Fair Trade Practices Laws because it had nothing to do with merchandise, manufacturing, than for gambling purposes, and that wasn't merchandising; is that correct?

Mr. BROOKFIELD. That has been their theory.

Mr. ROBINSON. Mr. Brookfield, in the course of your work have you ever run across any evidence to the effect that any of these manufacturing companies were violating the child-labor law?

Mr. BROOKFIELD. Only in connection with that police report referred to relative to Berkowitz.

Mr. ROBINSON. Do you remember what the details of the allegation were?

Mr. BROOKFIELD. According to the report, if I remember, according to the report, I have to testify from memory of a written report made to the——

The CHAIRMAN. Could you get the written report and put it in the record?

Mr. BROOKFIELD. If the committee requests it of the Commission they will furnish it.

The CHAIRMAN. All right. Let's do that.

And when it is obtained, let's give it to the press, so that they can have it also.

Mr. ROBINSON. Yes.

The CHAIRMAN. And let's put it in the record.

Mr. ROBINSON. One final question, Mr. Brookfield: Is there an association of manufacturers of punchboards?

Mr. BROOKFIELD. There is a loosely knit association. It is very informal at the present time, I am informed. Mr. James, I believe, is the punchboard representative. I am not sure. Mr. Lichtenstein can tell you the set-up on that.

The CHAIRMAN. Do you have his initials?

Mr. ROBINSON. Yes. Frank W. James. Is that the correct name?

Mr. BROOKFIELD. Frank W James, yes.

Mr. ROBINSON. Does the association maintain an office?

Mr. BROOKFIELD. I don't think so, no.

The CHAIRMAN. Where does he live, Mr. Robinson?

Mr. ROBINSON. The record indicates that he lived at 944 Drake Street, Evanston, Ill.

Mr. BROOKFIELD. I think that is correct. I think I gave you that.

Mr. ROBINSON. But to your knowledge the association maintains no business office?

Mr. BROOKFIELD. I never heard of it. In fact, I think the association is more or less an informal one. During the NRA they had a code for the punchboard industry and Mr. James was the Secretary of the Code Authority.

Mr. ROBINSON. Did he have some trouble with the Federal Trade Commission?

Mr. BROOKFIELD. I beg your pardon?

Mr. ROBINSON. Did Mr. James ever have any difficulty with the Federal Trade Commission?

Mr. BROOKFIELD. Yes. It was in connection with a brief which he filed which was alleged to be scurrilous and he was disbarred from practicing before the Commission. However——

Mr. ROBINSON. He has now been reinstated?

Mr. BROOKFIELD. He has been reinstated.

The CHAIRMAN. How was it scurrilous, Mr. Brookfield?

Mr. BROOKFIELD. It was a more or less attack, in the nature of a personal attack.

The CHAIRMAN. This is Senator Hunt, Mr. Brookfield.

Senator HUNT. Hello, Mr. Brookfield.

Mr. BROOKFIELD. Yes, sir.

It was an attack on the personal integrity of the individual members of the Commission. If I remember right there were other facts that were alleged in the complaint that were libelous. He subsequently apologized and has now been reinstated and is in good standing as an attorney practicing before the Commission.

Mr. ROBINSON. That is all I have, Mr. Chairman.

The CHAIRMAN. Mr. Burling, do you have any other questions?

Mr. BURLING. No; I don't, Mr. Chairman.

The CHAIRMAN. Did you state how long you have been making a study of punchboards?

Mr. BROOKFIELD. I have been trying the lottery merchandise cases, of which the punchboards are a substantial but not—well, in fact, about 85 percent of it are—since 1940, when I took them over from Attorney Daniels, now Secretary of the Commission. The question of lottery merchandise had been before the Commission, I think one of the first docketed cases we had was involving a complaint from a manufacturers' association, then selling lottery candy, way back in 1918.

The CHAIRMAN. I notice, Mr. Brookfield, that these boards are usually always brightly colored. Some of them have pictures of cow-boys; beautiful girls—

Mr. BROOKFIELD. Yes.

The CHAIRMAN. You have a "piggy bank" board here.

Mr. BROOKFIELD. Yes.

The CHAIRMAN. Which has an attractive model on it. Here is one that is called Take it Easy Jackpot. That has a beautiful model on it.

Do you think these things are highly colored to attract children?

Mr. BROOKFIELD. I don't think to attract children; no, sir.

The CHAIRMAN. What would be your theory about it, Mr. Brookfield?

Mr. BROOKFIELD. A board doesn't last long. I think Mr. Lichtenstein, when he testifies, will tell you that that type of board won't last long in a location and by "location" I mean a store where it is being used, and they have to change the board to keep up the interest.

You will find, for instance, they will have this board [indicating], and maybe one of these other boards, and when a place starts slowing down on one they will withdraw that for a while and put one of the other boards in.

There seems to be the attraction of sight as well as gambling instinct to people who play the boards. All of these companies hire a good artist to come up with new designs all the time.

The CHAIRMAN. Let's see that other one.

Mr. BROOKFIELD. Yes [handling].

The CHAIRMAN. This is called Bonus Mary. From the picture apparently Earl Morgan is the artist.

Mr. BROOKFIELD. Evidently.

The CHAIRMAN. It says "I am out for a good time and a half."

That is the general system, is it?

Mr. BROOKFIELD. All of them have to be attractive. For instance, the original "Charley" board—the word "Charley" comes from "dollar"—the reason it is called that is that the board originally had a large number of dollar prizes, a better pay-off, because the prizes were smaller.

The CHAIRMAN. The one in your hand apparently leads to the belief that you might get a gold piece; is that right?

Mr. BROOKFIELD. No. This is what they call a step-up board. I wanted to call this board to your attention before I left. That is called a book board.

The CHAIRMAN. Turn it around so that everyone can see it.

Mr. BROOKFIELD. It can be kept under the counter and brought out and put back very easily. They are very popular in some places where boards are illegal. They don't want them on the counter all the time.

We had one man who testified he was a regular punchboard addict, that he couldn't pass one by.

This board, with the original 5-cent punch entitles you to first a step-up into the first jackpot and then if you punch one of the jackpot awards you get into the gold seal, and somewhere among the eight gold seals is a \$25 prize.

The CHAIRMAN. You were talking about these step-up boards. Aren't there some kind of boards where the main thing you get is the privilege of punching the stepped-up board?

Mr. BROOKFIELD. This particular board——

The CHAIRMAN. Turn it around so everybody can see it. Explain how it operates.

Mr. BROOKFIELD. The price of the punches are six for a quarter. There are six 5-cent tickets in each hole. If you punch one of the numbers—for instance, the numbers 100, 200, 300, 400—if you punch one of those you get a punch in the blue seal; and in the blue seal you either win \$5, \$4, \$3, or \$2, or a chance to advance to the gold seal. One of the eight numbers in the gold seal is \$25. The other is \$7 or \$5. So that you would have to be three times lucky to get into the gold seal.

The CHAIRMAN. It is a sort of lead-on board.

Mr. BROOKFIELD. Yes.

This board takes in \$50 and the average pay-out is \$18—no, the average pay-out is \$25 and the maximum profit is \$27. The average profit is \$24. That is a very liberal paying board if the profit was paid out. Chances are great against it ever paying out.

The CHAIRMAN. Why are the chances great against it ever paying out?

Mr. BROOKFIELD. Well, there are 1,200 punches, so your chance—1,200 punches of the 5-cent variety—and only one, two, three, four—only four out of the 1,200 gives you a chance to get to the blue step-up. I would have to tear it down to find out. But there are only eight step-ups and only one of these is the principal prize.

The CHAIRMAN. So a fellow may punch himself out on the lower ones there and never get to the gold seal, and by the time you get there, the operator would simply destroy the board?

Mr. BROOKFIELD. Yes. But he could actually take a chance. With the percentage board like this, so far as having to pay out \$25 is concerned, the operator is pretty safe.

The CHAIRMAN. Why?

Mr. BROOKFIELD. From a straight percentage standpoint.

The CHAIRMAN. Of course, there is nothing to prevent the operator from pushing out the blue ones there, so as to take away the chances?

Mr. BROOKFIELD. Yes, after the board is partially punched out.

The CHAIRMAN. Yes.

Mr. BROOKFIELD. But then nobody would be inclined to play the board if it appeared that it had been unduly punched out.

The CHAIRMAN. All right, sir.

Mr. BROOKFIELD. Does the committee want these [indicating]?

The CHAIRMAN. Yes; we would like them.

Here is a Superior catalog, rather attractively done in colors. But I notice that in the catalog they don't put the name of the president or any of the officers of the corporation, do they?

Mr. BROOKFIELD. No, sir.

The CHAIRMAN. Superior Products, Inc., 2133 West Fulton Street, Chicago, Ill.

What is that advertisement you have there?

Mr. BROOKFIELD. This is an advertisement for the various jar deals.

The CHAIRMAN. All right, sir. If you will leave all of these exhibits.

Mr. BROOKFIELD. I purposely picked out the exhibits that the Commission had finished with so that I could leave them.

The CHAIRMAN. Thank you, Mr. Brookfield.

Any questions, Senator Hunt?

Senator HUNT. No questions, only it occurs to me that a bill like our slot-machine bill, to prevent interstate shipment, would put a partial stoppage on this.

The CHAIRMAN. Yes, I think it would, except of course, these things are manufactured in many, many States, including Tennessee.

Senator HUNT. Yes; I guess they are.

Mr. BROOKFIELD. Incidentally, this [indicating] is the Tennessee board.

The CHAIRMAN. Which one?

Mr. BROOKFIELD. This one.

Senator HUNT. For the record, I would like to say that none of these are manufactured in Wyoming.

The CHAIRMAN. But they are used very extensively in Wyoming.

I will at least have to say that the Tennessee fellow gets out a rather attractive board.

Anything else, Mr. Robinson?

Mr. ROBINSON. I have nothing else, Mr. Chairman.

I do, however, want to suggest that this document be made a part of the record, which has information relating to the Superior Products Co., which was obtained as the result of an examination of records by one of the agent-investigators of the committee staff, Mr. Amis. The company records were subpoenaed and pursuant thereto Mr. Amis examined the company records and made a statistical report as the result of examination.

The CHAIRMAN. Is it taken from the records which were subpoenaed and brought under the control of the committee and which show the gross sales?

Mr. ROBINSON. That is right.

The CHAIRMAN. The officers, how much they made, and such other information of that kind?

Mr. ROBINSON. That is correct.

The CHAIRMAN. Let it be made a part of the record.

(The material above referred to is on file with the committee.)

The CHAIRMAN. May we have copies of that? Do we have copies that we can give to the gentlemen of the press?

Mr. ROBINSON. No. I believe that is the only copy that I have here presently.

The CHAIRMAN. Well, as to the Superior Products Co., the study, apparently for the years 1939 to 1946, of their gross receipts and the net income, the study shows: For 1939, \$892,000 gross receipts; net income, in round figures, \$147,000; 1946, gross receipts, \$2,465,000; net income, \$364,717.

G. D. Sax as president.

The payments to the officers and owners in 1946, \$60,786. Michael Bright, \$60,786; Rhoda Sax, the same amount; Esther Bright, the amount.

Then there are a number of trusts set up, each one of them \$60,786. These are all members of the Sax family; all trust funds for them.

These are payments, dividend payments, total payments being \$364,717.

The trusts are for: Lois Sax, Samuel and Edward Sax.

In 1945 George J. Sax was added. That is the fourth trust.

That is in a single year.

We have also statistical information taken from their books and records for the Consolidated Container Corp., St. Louis, Mo. The information shows the number of shares of stock in the corporation; it also gives the customers, list of customers, of the Superior Products Corp.

I apologize for not having copies of this. We can let you see it now or we can have mimeographed copies made and passed around.

Let's pass it around now, then.

Senator HUNT. Mr. Chairman, you have just given a brief summary of the take of one manufacturing company.

I would like to ask the witness how many manufacturing companies are there of this particular type of product in the United States.

Mr. BROOKFIELD. Altogether I am informed there are between 30 and 40. I have personal knowledge of some 20 that have been brought to my attention.

Senator HUNT. Do you have any estimate of the total income of all of the various 30 or 40 companies that you speak of?

Mr. BROOKFIELD. Only, sir, to the extent that Mr. Lichtenstein testified in 1947, that the gross estimate, gross sale of punchboards, the punchboard companies, was \$10,000,000 a year. That was in 1947. At that time I don't think there were quite as many small companies as there are now.

Senator HUNT. That is all.

The CHAIRMAN. Business has gotten larger as shown by Mr. Sax's increase in volume of business, hasn't it?

Mr. BROOKFIELD. I would say so. I was surprised at those figures you just read.

The CHAIRMAN. It was on a graduating scale upward from about a million dollars in 1939 to over three million in 1946 in one company. That was Superior.

I might say that we asked Mr. Amis to secure further detailed information from the books and records of certain other companies that we had under subpoena and Mr. Amis has done part of that. When that is available we will make it a part of the record in this hearing.

Is there anything else, Senator Hunt?

Senator HUNT. No.

The CHAIRMAN. You are excused. Thank you very much for your cooperation.

Mr. BROOKFIELD. Yes, sir.

The CHAIRMAN. Mr. Robinson told Mr. O'Neil that we would try to hear him this morning.

So, Mr. O'Neil, will you come around, please.

Mr. O'NEIL. Here.

The CHAIRMAN. Come right around.

Do you solemnly swear that the testimony you will give to the committee will be the truth, the whole truth, and nothing but the truth, so help you?

Mr. O'NEIL. I do.

The CHAIRMAN. All right, Mr. Robinson, will you proceed.

TESTIMONY OF CHARLES P. O'NEIL, CHICAGO, ILL.

Mr. ROBINSON. Will you state your full name, please?

Mr. O'NEIL. Charles P. O'Neil.

Mr. ROBINSON. And where do you live?

The CHAIRMAN. O-N-e-i-l?

Mr. O'NEIL. O-N-e-i-l.

I do business as E. M. O'Neil & Co. in Chicago, Ill. It is a corporation.

Mr. ROBINSON. Who are the officers of the—strike that.

What is the address of the corporation?

Mr. O'NEIL. 2643 Clybourn Avenue.

Mr. ROBINSON. And who are the officers of the corporation?

Mr. O'NEIL. I am president and I believe my wife is secretary—no, she is treasurer. And the other officers I couldn't say offhand.

Mr. ROBINSON. How long has the corporation been in existence?

Mr. O'NEIL. I think my attorney was down and showed you the minute books in Chicago, do you recall?

Mr. ROBINSON. I don't recall. Approximately.

Mr. O'NEIL. I can't remember that. I think it is 1936.

Mr. ROBINSON. Were you in business individually prior to that?

Mr. O'NEIL. Yes.

Mr. ROBINSON. In the same type of business?

Mr. O'NEIL. Yes; but it wasn't incorporated.

Mr. ROBINSON. What is the type of business that the corporation is engaged in?

Mr. O'NEIL. We manufacture casino equipment.

Mr. ROBINSON. How do you describe casino equipment?

Mr. O'NEIL. Dice tables, roulette wheels, dice, poker chips, lay-outs.

Mr. ROBINSON. What is a lay-out?

Mr. O'NEIL. A lay-out is a marked cover made of pool cloth, billiard cloth; it is used to cover the different tables.

Mr. ROBINSON. Like crap tables?

Mr. O'NEIL. Like the crap tables or the roulette tables.

Senator TOBEY. Do you make layettes also?

Mr. O'NEIL. Layettes? No, not layettes.

Mr. ROBINSON. How large a plant do you have, Mr. O'Neil?

Mr. O'NEIL. I have a building about 125 by 50, and a couple of small outbuildings, and I employ about, at the present time, 15, 16 people.

Mr. ROBINSON. In the manufacturing plant?

Mr. O'NEIL. That is right.

Mr. ROBINSON. What volume of business do you do?

Mr. O'NEIL. Well—

Mr. ROBINSON. What are your gross sales, what were they last year?

Mr. O'NEIL. I think last year it was within a thousand dollars, one way or another, of \$120,000.

Mr. ROBINSON. And is that a representative figure for the period of time that you have been in business?

Mr. O'NEIL. Well, more or less. It was a rather poor year last year.

Mr. ROBINSON. What would an average year be?

Mr. O'NEIL. Approximately \$150,000.

Mr. ROBINSON. Can you break that down so far as the items that you manufacture are concerned?

Mr. O'NEIL. Yes. I would say that probably 75 percent of that business, or 80 percent, perhaps, is dice.

Mr. ROBINSON. And where do you distribute, where are your sales made?

Mr. O'NEIL. More or less all over the United States.

Mr. ROBINSON. Any particular area that you have your largest sales in?

Mr. O'NEIL. Well, I would say that it is where the bulk of the gambling would be, Nevada, Mississippi, Louisiana, and, of course, in some cases like Puerto Rico.

Mr. ROBINSON. Do you have any business on the east coast?

Mr. O'NEIL. Very little.

Mr. ROBINSON. How about the west coast?

Mr. O'NEIL. Very little on the west coast. Past Nevada I do very little business.

Mr. ROBINSON. Do you have a sizable volume of business in Chicago proper?

Mr. O'NEIL. Not at the present time.

Mr. ROBINSON. Did you at one time?

Mr. O'NEIL. Yes; I did a large business in Chicago at one time.

Mr. ROBINSON. Do you do a sizable business in Ohio and Kentucky?

Mr. O'NEIL. Yes; Kentucky; some business in Ohio.

Mr. ROBINSON. What was the largest amount of business you did in the Chicago area?

Mr. O'NEIL. Well, I couldn't recall, but probably sixty, seventy thousand dollars.

Mr. ROBINSON. You don't do that amount now?

Mr. O'NEIL. No; I do very little business now; there is very little going on in Chicago.

Mr. ROBINSON. Well, what is the reason for the falling off of the business?

Mr. O'NEIL. Well, I have no customers.

Mr. ROBINSON. Is that something that is recent or has that been a trend since your peak year?

Mr. O'NEIL. They convicted Skidmore and Johnson of income-tax conspiracy and since then I have had practically no business in Chicago. That was about 1938, I believe, they closed up.

Mr. ROBINSON. What relation did the conviction of those two individuals have with your business?

Mr. O'NEIL. Well, because when they closed up I had nobody to sell to.

The CHAIRMAN. Give the initials of Skidmore and the other man and who they are.

Mr. O'NEIL. William Skidmore and William Johnson.

The CHAIRMAN. What were their companies or operations?

Mr. O'NEIL. Why, they were connected with some casinos there, I believe.

Mr. ROBINSON. Did Mr. Skidmore and Mr. Johnson purchase directly from you?

Mr. O'NEIL. No, no. I sold to the different owners of casinos.

Mr. ROBINSON. Well, I still don't see why the conviction of Mr. Skidmore and Mr. Johnson would have anything to do with the sale of dice or gambling equipment to the casinos.

Mr. O'NEIL. Because after they were convicted the casinos were closed.

Mr. ROBINSON. Did Mr. Johnson and Mr. Skidmore control the casinos?

Mr. O'NEIL. I couldn't say.

The CHAIRMAN. They were convicted of controlling——

Mr. O'NEIL. They were convicted of controlling them.

The CHAIRMAN. Which Mr. Johnson is that?

Mr. O'NEIL. William Johnson. I don't know his middle initial.

The CHAIRMAN. Do you know anything else about him?

Mr. O'NEIL. No; I don't. I did all my business with the people that were in charge of the casinos.

Senator TOBEY. Are the dice made of plastic?

Mr. O'NEIL. Celluloid.

The CHAIRMAN. I understand from the members of the staff that it is not the same William Johnson that had Sportsmen's Park.

Mr. O'NEIL. No.

The CHAIRMAN. He is another Johnson.

Mr. O'NEIL. Yes.

The CHAIRMAN. All right.

Mr. ROBINSON. Is it true that the volume of your sales in Chicago reached its peak at the time Mr. Johnson and Mr. Skidmore controlled the gambling in Chicago?

Mr. O'NEIL. Well, now, I didn't say that they controlled it. After their conviction is when my business dropped off in Chicago. I have done practically no business in Chicago since then.

Mr. ROBINSON. You would put it that after their conviction the casinos and the users of dice dropped down considerably so far as their purchases of dice from you were concerned.

Mr. O'NEIL. Yes.

Mr. ROBINSON. Were there any particular casinos in Chicago that did a sizable volume of business with you?

Mr. O'NEIL. Yes. There was Mr. Creighton's place at Sixty-third Street and Cottage Grove Avenue.

There was Mr. Flanagan's place, he is now dead, at 4020 Ogden Avenue.

And there was Mr. Summer's place, up at—I don't just recall the number—it was on Kedzie Avenue, near Lawrence.

There was the Harlem Stables, out on Harlem Avenue.

And there was a place at Dearborn and Division, Mr. Kelley's place.

Mr. ROBINSON. Did these people buy only dice or the lay-outs and other goods?

Mr. O'NEIL. They bought other goods from me; tables.

Mr. ROBINSON. Which would indicate a sizable operation?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Did you ever sell to Mr. Cawley?

Mr. O'NEIL. Yes; Tom Cawley, at one time. I haven't sold him, I don't think, for 8 or 9 years.

Mr. ROBINSON. Did you ever sell to Jack Doyle, in Gary, Ind.?

Mr. O'NEIL. No.

Mr. ROBINSON. Do you know him?

Mr. O'NEIL. Don't know him.

Mr. ROBINSON. Did you ever sell anyone in Gary, or in that area? The East Chicago area, Hammond, Ind.?

Mr. O'NEIL. If I did it might have been a small order. I am not acquainted there.

Mr. ROBINSON. Do you know William Sheets?

Mr. O'NEIL. I have heard of him.

Mr. ROBINSON. Or do you know his partner, Mr. Gardner?

Mr. O'NEIL. No. I have just heard of them.

Mr. ROBINSON. Have you ever heard of the Big House?

Mr. O'NEIL. I never did any business with that casino.

Mr. ROBINSON. What was the name of the casino that you did business with out there?

Mr. O'NEIL. I don't know. It was a place out in Indiana.

Mr. ROBINSON. Do you know it by reputation as being the Big House?

Mr. O'NEIL. I think that was the nickname they used for it.

Mr. ROBINSON. Now, before we go further, Mr. O'Neil, I requested you in the telegram to bring with you a list of your customers for the past couple of years.

Mr. O'NEIL. That is right.

Mr. ROBINSON. Is this [indicating] the list?

Mr. O'NEIL. That is a complete list of customers which I gave you this morning.

Mr. ROBINSON. I would like to introduce this and make it a part of the record.

The CHAIRMAN. It may be filed as exhibit No. 2.

(The document referred to was marked "Exhibit No. 2," and is on file with the committee.)

Senator TOBEY. Are all dice of standard size?

Mr. O'NEIL. No; they are of different size.

Senator TOBEY. Do they order what they want, with specification?

Mr. O'NEIL. As a rule.

Senator TOBEY. And you make them according to formula?

Mr. O'NEIL. Yes.

Senator TOBEY. And if the formula suggests that you make them a little heavier on one side or the other, would you take the order?

Mr. O'NEIL. No. We don't make that type of dice.

Senator TOBEY. Are they made?

Mr. O'NEIL. I guess they are.

Senator TOBEY. Who makes those?

Mr. O'NEIL. Well, I believe that one company that made them was the Mason Co. They got a write-up in all the papers throughout the United States.

Senator TOBEY. Is it a simple matter to load them?

The CHAIRMAN. Senator Tobey, I think Mr. Robinson can tell you the companies that make the magical dice.

Senator TOBEY. All right.

MR. ROBINSON. That term "magical dice" is a term used in the trade for what is ordinarily known as crooked dice?

MR. O'NEIL. Crooked dice, some people call them; they are called percentage dice.

MR. ROBINSON. Has your company ever manufactured that type of dice?

MR. O'NEIL. No.

MR. ROBINSON. Do you know how that type of dice is manufactured?

MR. O'NEIL. Oh, yes. I am familiar with it.

MR. ROBINSON. Would you explain the procedure used in the manufacture of that type of dice?

MR. O'NEIL. Well, they call some percentage dice "edge work" and then there are others that are short on one side or long on the other; and some are filled.

THE CHAIRMAN. Loaded, as it is called?

MR. O'NEIL. Yes.

SENATOR TOBEY. That couldn't be the celluloid dice, because you could see through it.

MR. O'NEIL. I believe they put it behind the spots.

SENATOR TOBEY. Do they work pretty well?

MR. O'NEIL. Well—

SENATOR TOBEY. Can you count on their coming through the way you want them to?

MR. O'NEIL. I don't know. I have never used that kind.

SENATOR TOBEY. What proportion of gambling with dice at crap tables is honest-to-God dice and what proportion is "percentage" dice?

MR. O'NEIL. Well, if you go into the larger casinos I don't think you will ever find crooked dice.

SENATOR TOBEY. Such as the big ones out in Las Vegas?

MR. O'NEIL. That is right.

SENATOR TOBEY. They do change the dice quite often, don't they?

MR. O'NEIL. Yes. They will give them to you. You can pick them up off the table and take them away.

SENATOR TOBEY. Aren't they afraid they will wear down? Don't they refresh them?

MR. O'NEIL. Yes; they use a good many of them, because if they get nicked up, well, it might be a little bit against the house and the players might not like it, or something like that.

THE CHAIRMAN. But these "sawdust" places, as distinguished from the "plush carpet" places, lots of them do have loaded dice?

MR. O'NEIL. Well, a "sawdust" place doesn't necessarily mean that it is a small place, it can be a large place, but it depends more on volume, but some of them are quite large and they are still honest.

THE CHAIRMAN. Some of the little places do use dishonest dice?

MR. O'NEIL. Well, I don't keep in contact with those places.

MR. BURLING. Do you know whether dice is manufactured by anyone in such a way that when an electric current is on, underneath the table, the dice are crooked and when you turn the current off they are true?

MR. O'NEIL. Well, I have heard of such things, but I think that is very silly; most of that is in the imagination of the players.

MR. ROBINSON. Mr. O'Neill, who are your competitors in Chicago?

MR. O'NEIL. Well—Taylor & Co.—

THE CHAIRMAN. Will you elucidate on Taylor & Co.?

Mr. O'NEIL. Taylor is my leading competitor. Code & Co.—

The CHAIRMAN. Who owns that?

Mr. O'NEIL. I wouldn't know but Mr. Klise runs it. That is C-o-d-e.

The CHAIRMAN. Give Mr. Klise's first name.

Mr. O'NEIL. Joseph Klise; K-l-i-s-e.

Mr. ROBINSON. What other companies, Mr. O'Neil?

Mr. O'NEIL. Well, there are quite a few companies selling dice there.

There is Hunt & Co.; Aladdin Specialty Co.—

Mr. ROBINSON. Well, those latter two are strictly dice manufacturers?

Mr. O'NEIL. Beg pardon?

Mr. ROBINSON. Those letter two that you have mentioned are strictly dice manufacturers?

Mr. O'NEIL. Yes.

Mr. ROBINSON. The others that you have mentioned are manufacturers of what you call casino equipment?

Mr. O'NEIL. That is right; furniture—

Mr. ROBINSON. Are there any other manufacturers of casine equipment in Chicago?

Mr. O'NEIL. Evans I believe is still making some equipment. A. C. Evans & Co.

Mr. ROBINSON. Is that all?

Mr. O'NEIL. That is all I know of.

Mr. ROBINSON. Now, who are the owners of Taylor & Co.?

Mr. O'NEIL. I wouldn't know.

Mr. ROBINSON. Do you have any business dealings with them at all?

The CHAIRMAN. Mr. Robinson, let's bring out the information gathered in the Cleveland hearings.

Mr. ROBINSON. Do you know Joseph Aiuppa?

Mr. O'NEIL. No, I don't.

Mr. ROBINSON. Do you know Claude Maddox?

Mr. O'NEIL. That is Mr. Moore?

Mr. ROBINSON. That is right.

Mr. O'NEIL. I believe I met him once.

Mr. ROBINSON. Do you know what business they are in?

Mr. O'NEIL. No, I don't.

Mr. ROBINSON. Don't you know or haven't you heard that those two people are the operators or owners of Taylor & Co.?

Mr. O'NEIL. Well, I have heard rumors that Claude Maddox was interested in it; John Moore.

Mr. ROBINSON. Did you at one time sell equipment to Claude Maddox?

Mr. O'NEIL. I believe about 18 years ago, 17 years ago, I sold him a table.

Mr. ROBINSON. Is that the only business you ever had with them?

Mr. O'NEIL. That is the only business I ever had with him.

Mr. ROBINSON. Do you know anything about him at all?

Mr. O'NEIL. No; I don't. I met him once, one night in a bar and had a drink with him. That is all I know.

Mr. ROBINSON. Did he state at that time what business he was in?

Mr. O'NEIL. No. That must be about 8, 9 years ago.

Mr. ROBINSON. When was the Taylor & Co. organized, do you know?

Mr. O'NEIL. I think they have been in business about 8, 9 years.

Mr. ROBINSON. And what effect has their business had on yours?

Mr. O'NEIL. Well, it hasn't had any effect other than being an added competitor.

Mr. ROBINSON. Have you lost any customers to that company?

Mr. O'NEIL. Oh, perhaps; perhaps I might have lost some. You see, at one time there was only about five or six manufacturers, but since then, since the war, there is quite a few firms have gotten into the business, newcomers, and perhaps today there is 20 people in the business, 25 people, maybe, and, of course, every new firm that goes in business takes some customers, because they don't just go in the business cold, they have to go from some company, they originally learn the business in one company and start out for themselves, get someone interested and start a new firm, and naturally, when they leave a firm, some of them take some of the business with them. You know how that is when a salesman leaves one firm, there is a certain amount of business sticks with them.

Mr. ROBINSON. You say you have never heard of Joseph Aiuppa?

Mr. O'NEIL. I have read his name in the papers, that is all; never met him.

The CHAIRMAN. Mr. Robinson, we had his books and records under subpoena, and an analysis was made of the owners of the Taylor Co., and the kind of business and the extent of business they did, isn't that right?

Mr. ROBINSON. That is right.

The CHAIRMAN. I think that was put in the record in Cleveland, wasn't it?

Mr. ROBINSON. That is right.

A comparable list to this type of list that Mr. O'Neil submitted.

The CHAIRMAN. Could you state from the record, as some of the members of the press were not in Cleveland, who the officers are, and the extent of the business, do you have it there?

Mr. ROBINSON. I can give it pretty much from memory.

It is that Mr. Aiuppa, Claude Maddox, alias John Screwy O'Brien, they were partners and owners of the Taylor Co., Taylor & Co., which is a manufacturer of gambling equipment, who distribute and sell their products in many of the States throughout the country.

I assume in the same manner that you do; is that correct?

Mr. O'NEIL. That is right.

The CHAIRMAN. It is considerably larger than this operation, isn't it?

Mr. ROBINSON. The volume of business was, I believe, considerably larger than the figure that Mr. O'Neil has stated as being the volume of business of his own corporation.

Mr. O'NEIL. I have no salesmen.

Mr. ROBINSON. I wanted to ask you about your method of sale and distribution. You have no salesmen on the road?

Mr. O'NEIL. No.

Mr. ROBINSON. Do you know whether Taylor & Co. does?

Mr. O'NEIL. I believe they have some salesmen out.

Mr. ROBINSON. How do you get your business?

Mr. O'NEIL. Well, I get my business because I have been known rather widely amongst the fraternity, I make a good product, and

most of my business is steady business; so long as the casinos are operating I seldom lose the business.

Senator TOBEY. You mean by the "fraternity" the "profession"?

Mr. O'NEIL. That is right.

Mr. ROBINSON. Did you know Mr. Skidmore and Mr. Johnson quite well?

Mr. O'NEIL. Yes, I knew Mr. Johnson quite well.

Mr. ROBINSON. And were they largely instrumental in your getting business in the casinos in Chicago?

Mr. O'NEIL. No. That was more or less at the discretion of the people that operated the casinos. I will tell you, at the time I didn't have a whole lot of competition getting the business, and I sold a little cheaper, and it wasn't altogether a matter of cutting price, but I kind of had a little better machine, and made a better product.

Mr. ROBINSON. But the connections you had with them didn't do you any harm?

Mr. O'NEIL. That is right.

Mr. ROBINSON. Now, how do you get your business; do you advertise?

Mr. O'NEIL. No; no advertising; word of mouth.

Mr. ROBINSON. Are your customers regular, year in and year out?

Mr. O'NEIL. More or less. Sometimes, perhaps, a gambler might be closed for a year or 2 years.

Mr. ROBINSON. And you go on the road yourself, too?

Mr. O'NEIL. Occasionally I go and see a customer, or see a few people.

Mr. ROBINSON. And how occasional is that?

Mr. O'NEIL. Well, last week I was in Puerto Rico, and the month before I was down in New Orleans, and I was over in east Texas for about 2 weeks, I guess, that was right after Christmas, I believe; and I went down to New Orleans and east Texas, and I was gone about 2 weeks.

Mr. ROBINSON. Who did you see in Puerto Rico?

Mr. O'NEIL. Mr. Wangeman.

Mr. ROBINSON. What is his business?

Mr. O'NEIL. He is the manager of the Caribe Hilton Hotel.

Mr. ROBINSON. What was your purpose in seeing him?

The CHAIRMAN. What is his name?

Mr. O'NEIL. Wangeman.

The CHAIRMAN. What is his first name or initials?

Mr. O'NEIL. I can't tell you.

The CHAIRMAN. That is the new Hilton Hotel?

Mr. O'NEIL. That is right.

Mr. ROBINSON. What was the purpose of your—excuse me, were you through, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. ROBINSON. What was the purpose of your visit to that gentleman?

Mr. O'NEIL. Well, I thought I would drop in and see them. They were a pretty good customer. I thought it wise to keep in touch with customers about once a year. I understand that they are building some more casinos over there. I also wanted to scout around and make some more contacts.

Mr. ROBINSON. How do you classify a pretty good customer?

Mr. O'NEIL. Well, they equipped their casino; that was a \$10,000 sale.

Mr. ROBINSON. Did you visit anyone else in Puerto Rico?

Mr. O'NEIL. Yes. I visited two other casinos. There is three of them down there.

Mr. ROBINSON. Did you get orders from all three for equipment?

Mr. O'NEIL. I got an order from one of the other casinos.

Mr. ROBINSON. How much was that order?

Mr. O'NEIL. Well, it was more or less of a trade, I sold them three used wheels and a blackjack table, which amounted to—just the wheels would amount to \$1,450.

Mr. ROBINSON. Now, whom did you visit in New Orleans?

Mr. O'NEIL. Oh, I visited the Club Forest; O'Dyer's—

Mr. ROBINSON. Let's stay on the Club Forest. Whom did you see there?

Mr. O'NEIL. Well, I saw Frank Tredico.

Mr. ROBINSON. Who is he?

Mr. O'NEIL. He is the one that does the buying.

Mr. ROBINSON. Does he own the club?

Mr. O'NEIL. No, I don't think so.

Mr. ROBINSON. Did you get an order from him?

Mr. O'NEIL. Oh, yes; I get orders continually from them.

Mr. ROBINSON. How large a business do you do with the Club Forest during a year?

Mr. O'NEIL. Well, they may switch; they might buy from me for 6 months and then they might have a losing streak and then they will switch to somebody else, they might deal with them 6, 8 months, and then they will come back again.

Mr. ROBINSON. Did you say you did get an order from them?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Have you completed the order?

Mr. O'NEIL. Well, you see, those things are not sold exactly like equipment. You see, what you do is call on a man and keep in touch with him, but he usually calls up every week or every 2 weeks and orders dice.

Mr. ROBINSON. When was the last time he called up?

Mr. O'NEIL. Why, I think it was about 2 weeks ago.

Mr. ROBINSON. And what did he order at that time?

Mr. O'NEIL. Dice.

Mr. ROBINSON. Do you remember how many or how much?

Mr. O'NEIL. Yes. The order is always the same. It is 200 pair.

Mr. ROBINSON. Which would run to what?

Mr. O'NEIL. \$268.

Mr. ROBINSON. Now, do you know—

The CHAIRMAN. I think the record in New Orleans brought out fully the ownership of the Club Forest. Mr. Martin, will you give the names?

Mr. MARTIN. Yes. Henry and Arthur Mills; Osmond Litolf; Al Schorling has an interest there, too.

Mr. ROBINSON. Do you know any of those gentlemen, Mr. O'Neil?

Mr. O'NEIL. Yes, I know Mr. Schorling. I have met Henry Mills but I wouldn't say I knew him.

Mr. ROBINSON. Now, when did you last see any of those individuals? Was it on the occasion of your trip to New Orleans?

Mr. O'NEIL. In January.

Mr. ROBINSON. In January.

Mr. O'NEIL. Yes.

Mr. ROBINSON. And have you had any telephone conversation with any of them since that time?

Mr. O'NEIL. Yes. I talked to Tredico on the phone when he gave me that last order.

Mr. ROBINSON. How about the Mills brothers or Litolff?

Mr. O'NEIL. I met Mr. Mills about 4 years ago. That is the only time I ever met him.

Mr. ROBINSON. How about Littolff, Osmond Litolff, did you talk to him recently?

Mr. O'NEIL. I don't know him.

Mr. ROBINSON. You don't know anything about their present whereabouts, I take it?

Mr. O'NEIL. I couldn't tell you.

Mr. ROBINSON. What other clubs did you visit while in New Orleans?

Mr. O'NEIL. O'Dwyer's.

Mr. ROBINSON. What is that?

Mr. O'NEIL. That is a large club similar to the Club Forest. It is a large place.

The CHAIRMAN. If I may break in, Senator Tobey has to leave, and has a question.

Senator TOBEY. I have only one question.

Do you sell any of your equipment in Saratoga Springs?

Mr. O'NEIL. No. I haven't done any business in New York State for years.

Senator TOBEY. That is all.

Any in New Hampshire?

Mr. O'NEIL. No.

Senator TOBEY. Purer than snow up there.

The CHAIRMAN. Senator Hunt, do you want to ask about Wyoming? I will ask about Tennessee.

Mr. O'NEIL. Well, I haven't sold any goods in Tennessee of late years.

The CHAIRMAN. Late years.

Senator HUNT. I will withdraw my question.

The CHAIRMAN. All right.

Mr. ROBINSON. What was the name of the last club that you mentioned that you visited?

Mr. O'NEIL. O'Dwyer's.

Mr. ROBINSON. And they are one of your customers?

Mr. O'NEIL. Yes. I get occasional orders from them. They are like those other clubs down around New Orleans, if they have a losing streak for a while they switch to another firm.

The CHAIRMAN. Explain that a little bit. Do you mean that if the dice they are getting from one place are losing, that they figure it is good luck to change their dice?

Mr. O'NEIL. That is right. They buy from some other firm.

Mr. ROBINSON. Did you visit any other clubs?

Mr. O'NEIL. Luke and Terry's.

Mr. ROBINSON. Who is the owner of that?

Mr. O'NEIL. I presume Mr. Luke is.

Mr. ROBINSON. How large an establishment is that?

Mr. O'NEIL. Well, that is a high-class place but it is small. Smaller than the first two clubs you mentioned.

Mr. ROBINSON. Did you get an order from them?

Mr. O'NEIL. Yes.

Mr. ROBINSON. How large?

Mr. O'NEIL. About the same; 200 pair.

Mr. ROBINSON. Did you sell any of those clubs any equipment other than dice?

Mr. O'NEIL. Well, I sell the Club Forest lay-outs occasionally; roulette lay-outs or dice lay-outs.

The CHAIRMAN. Who do you deal with at the Club Forest?

Mr. O'NEIL. Mr. O'Dwyer.

The CHAIRMAN. Did you deal with the Beverly Club?

Mr. O'NEIL. Yes.

The CHAIRMAN. Did you deal with Phil Kastel?

Mr. O'NEIL. No. I met Mr. Kastel. I can't tell you the name of the party that I dealt with at that time. The material was just sent to the Beverly Hills Club. They have had several managers there.

The CHAIRMAN. Michael Tannico?

Mr. O'NEIL. No. I don't know.

The CHAIRMAN. How long has it been since you sold dice to the Beverly Club?

Mr. O'NEIL. About 2 years, I think.

Mr. ROBINSON. Did you only sell dice to them?

Mr. O'NEIL. That is all.

Mr. ROBINSON. No lay-out equipment?

Mr. O'NEIL. Yes; I had sold them some lay-outs and I got them back.

Mr. ROBINSON. Why?

Mr. O'NEIL. Well, they just changed managers and when the lay-outs came in—they were sold on open account—when the lay-outs came in he said that the colors were too bright and he wanted me to take them back. So, as I was getting the dice business from them at the time, I took them back.

Mr. ROBINSON. Who was the new management that came in?

Mr. O'NEIL. Not new management. New manager.

Mr. ROBINSON. New manager. Who was the new manager?

Mr. O'NEIL. His name started with "Sch," and I have forgotten it; I didn't know him.

Mr. ROBINSON. Who were the owners of that club?

Mr. O'NEIL. I couldn't say.

Mr. ROBINSON. Did you say you met Mr. Kastel?

Mr. O'NEIL. I met Mr. Kastel.

Mr. ROBINSON. When did you meet him?

Mr. O'NEIL. I met him in the club.

Mr. ROBINSON. Do you remember what year?

Mr. O'NEIL. I was having dinner there.

Mr. ROBINSON. Do you remember what year?

Mr. O'NEIL. I imagine that must have been about a year and a half ago.

Mr. ROBINSON. And what was the conversation?

Mr. O'NEIL. Well, I believe my wife was talking to him about some turn in the show, I was having dinner with my wife, and I was intro-

duced to him by my brother-in-law, who at that time represented me down in New Orleans, we were there, and Mr. Kastel came over and had a drink, and my wife was talking to him, I didn't get much chance to talk to him.

Mr. ROBINSON. You say your brother-in-law was representing you down there?

Mr. O'NEIL. In New Orleans.

Mr. ROBINSON. What is his full name?

Mr. O'NEIL. Frank C. Newman.

Mr. ROBINSON. Was it his job to contact these clubs?

Mr. O'NEIL. That is right. He was my representative down there.

Mr. ROBINSON. Did you meet Frank Costello there at any time?

Mr. O'NEIL. No. I don't know him.

Mr. ROBINSON. Now, were there any other clubs that you made contact with there for business purposes?

Mr. O'NEIL. Oh, yes.

Mr. ROBINSON. What were the other clubs?

Mr. O'NEIL. Well—

The CHAIRMAN. Are they on this list here?

Mr. O'NEIL. They will all be on there, yes. The 118 Club, which is out of existence.

Mr. ROBINSON. How about the Foray?

Mr. O'NEIL. That is a kind of night club. That is out of business now. I think a fellow named Perez had it. I couldn't say. A small place. I wouldn't know.

Mr. ROBINSON. You don't know whether that was one of the Carlos Macello operations?

Mr. O'NEIL. No, I couldn't say.

The CHAIRMAN. Do you know him?

Mr. O'NEIL. No, I don't.

Mr. ROBINSON. How about the Old Southport Club?

Mr. O'NEIL. Yes. I did business there.

Mr. ROBINSON. Who was the owner of that?

Mr. O'NEIL. I don't know. I don't know anything about those clubs down there. The only thing I know is that they were pretty well cut up, there is a lot of partners. That is what I have heard, but that is just hearsay.

Mr. ROBINSON. Do you recall the name of any of the partners that you heard?

Mr. O'NEIL. Well, let's see. I think Kerner, I believe, was interested, at one time or another; the Chargois brothers. Oh, I guess nearly all of the gamblers at one time or another have been interested in those places. That is, over a period of years.

Mr. ROBINSON. How about the Billionaire Club; you have done business with that club?

Mr. O'NEIL. Oh, yes.

Mr. ROBINSON. What amount of business have you done with the Billionaire Club?

Mr. O'NEIL. Oh, they might order 100 pair of dice every 2 weeks to every 3 weeks, or a month, something like that; maybe 50 pair a month. They might flit around and shop at different places.

Mr. ROBINSON. Have you sold them any equipment?

Mr. O'NEIL. Yes; I sold them equipment.

Mr. ROBINSON. Do you remember how much?

Mr. O'NEIL. I sold them two roulette wheels and some layouts; that is about the percent of equipment; checks I guess I sold them.

Mr. ROBINSON. Were you ever in that club?

Mr. O'NEIL. Oh, yes.

Mr. ROBINSON. Do you know where it is located?

Mr. O'NEIL. It is located over in Gretna.

Mr. ROBINSON. And do you know who the owner is?

Mr. O'NEIL. Fink, I guess.

Mr. ROBINSON. Who?

Mr. O'NEIL. Fink; Herbert Fink.

Mr. ROBINSON. Was he the one you dealt with?

Mr. O'NEIL. No. I dealt with him once, I think; but there have been other people interested in that, too, you know.

Mr. ROBINSON. Who are the other people?

Mr. O'NEIL. His son did part of the buying; his son.

Mr. ROBINSON. Who else?

Mr. O'NEIL. Well, I don't know. He had some kind of an arrangement of leasing part of it out, or something.

Mr. ROBINSON. That is the club that is across the street from the courthouse?

Mr. O'NEIL. Yes; that is it. Near the ferry there.

Mr. ROBINSON. Do you know Victor Trapani?

Mr. O'NEIL. Yes; I have met him.

Mr. ROBINSON. Who is he?

Mr. O'NEIL. Well, I don't know. He is connected with one of the Southports, I guess.

Mr. ROBINSON. What is the——

Mr. O'NEIL. Is he connected with one of the Southports?

Mr. ROBINSON. Newport?

Mr. O'NEIL. Southport.

Mr. ROBINSON. New Southport?

Mr. O'NEIL. I don't know. I believe so.

Mr. ROBINSON. Do you know whether he has a partnership arrangement with Marcello?

Mr. O'NEIL. I couldn't tell you; I don't know.

Mr. ROBINSON. Now, one of your customers was the Golden Nugget in Las Vegas?

Mr. O'NEIL. That is right.

Mr. ROBINSON. How much business did you do with them?

Mr. O'NEIL. \$5,200 a year, and up.

Mr. ROBINSON. What would be the top amount you have done in any particular year?

Mr. O'NEIL. Oh, maybe seven, eight thousand dollars; \$10,000 perhaps.

Mr. ROBINSON. That would include equipment as well as dice?

Mr. O'NEIL. No; that would be dice. I never sold them anything except dice. That is a large place.

Mr. ROBINSON. Now, have you at any time visited any of your customers at Newport, Ky.?

Mr. O'NEIL. Oh, yes.

Mr. ROBINSON. And what are the places there that you have visited?

Mr. O'NEIL. Well, the Merchants' Club; the Yorkshire——

Mr. ROBINSON. Who did you deal with in the Merchants' Club?

Mr. O'NEIL. I don't know. I think it was a fellow named Schwartz, or something, that used to do the buying. I just sent stuff to the Merchants' Club.

Mr. ROBINSON. Have you done a considerable amount of business with them?

Mr. O'NEIL. I haven't done any business with them for some years now; 2 or 3 years.

Mr. ROBINSON. How about the Latin Quarter?

Mr. O'NEIL. Yes, I did business there.

Mr. ROBINSON. With whom did you do business at that club?

Mr. O'NEIL. With the manager.

Mr. ROBINSON. What was his name?

Mr. O'NEIL. Condon.

Mr. ROBINSON. Do you know whether or not he is a native there or was he from some other area?

Mr. O'NEIL. I couldn't tell you where he was from.

Mr. ROBINSON. What amount of business did you do there?

Mr. O'NEIL. I imagine maybe \$4,000 a year, something like that.

Mr. ROBINSON. Is that a big establishment?

Mr. O'NEIL. Well, it is a night club.

Mr. ROBINSON. Now, who is Louis Levinson, in Newport, Ky.?

Mr. O'NEIL. He is connected with the 633 Club.

Mr. ROBINSON. Is that also known as the Kentucky Club?

Mr. O'NEIL. No. That is a different place. That is in Covington.

Mr. ROBINSON. And owned by the same people?

Mr. O'NEIL. I couldn't say.

Mr. ROBINSON. Did Levinson buy for both clubs?

Mr. O'NEIL. No; no.

Mr. ROBINSON. Just for the Newport Club?

Mr. O'NEIL. That is right; yes.

Mr. ROBINSON. Have you ever been in that place?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Is that a sizable establishment?

Mr. O'NEIL. Yes; very good size.

Mr. ROBINSON. What games do they run there?

Mr. O'NEIL. I guess they deal the wheel and the horses and craps and blackjack.

Mr. ROBINSON. Is that true also of the Merchants Club?

Mr. O'NEIL. Yes, about the same. All those places down there are more or less the same.

Mr. ROBINSON. Who is Sammy Miller in Miami Beach?

Mr. O'NEIL. Oh, he is a fellow who lives down in Miami Beach.

Mr. ROBINSON. Does he run an establishment there?

Mr. O'NEIL. Yes.

Mr. ROBINSON. You do a considerable amount of business with him?

Mr. O'NEIL. Yes; I have done some business with him.

Mr. ROBINSON. Did you ever deal with a man named R. C. Hill in Florida?

Mr. O'NEIL. I couldn't say. If I did it is not a large account. It might have slipped my memory. They are listed alphabetically there in that list.

Mr. ROBINSON. The name is not on the list. I wondered whether you had at some time sold gambling equipment to a man named R. C. Hill.

Mr. O'NEIL. I can't recall it.

Mr. ROBINSON. Either in Miami or Pensacola.

Mr. O'NEIL. I couldn't recall, but I am under the impression that at one time I did do business with him, but I don't know.

Mr. ROBINSON. What is the New Crescent Club, have you visited there?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Are they a large account?

Mr. O'NEIL. I have had very little business from them.

Mr. ROBINSON. Have you been at that club?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Is that a large club?

Mr. O'NEIL. Oh, not in the class of the Club Forest and O'Dwyer's. no, it is more or less a small place.

Mr. ROBINSON. How about the Lookout House?

Mr. O'NEIL. That is a night club.

Mr. ROBINSON. Where is that located?

Mr. O'NEIL. At the top of the hill there, across from Cincinnati. what do you call that—not Covington——

Mr. ROBINSON. Newport?

Mr. O'NEIL. No. It is not Newport.

The CHAIRMAN. Madisonville?

Mr. O'NEIL. No. It is Fort—what is that? Isn't that what it is? Doesn't that come under Fort Thomas?

The CHAIRMAN. Fort Thomas?

Mr. O'NEIL. Yes. Isn't that located there? I have been there.

The CHAIRMAN. Fort Thomas?

Mr. O'NEIL. Yes.

Mr. ROBINSON. How large a business do you do with that concern?

Mr. O'NEIL. With the Lookout House? I haven't done any business with them for 2 years. Yes, I did. I got a couple of orders from them last year for a while.

Mr. ROBINSON. Do you remember how large the orders were?

Mr. O'NEIL. They weren't very large orders; no. Just a regular shipment of dice, weekly shipment.

Mr. ROBINSON. How about the Beverley Hills Club, Beverley Hills Country Club?

Mr. O'NEIL. I haven't done business there for maybe 6 or 7 years.

Mr. ROBINSON. Did you at one time do a considerable amount of business with them?

Mr. O'NEIL. Yes.

Mr. ROBINSON. How large a volume?

Mr. O'NEIL. Oh, probably \$125 a week, something like that; \$100 a week.

Mr. ROBINSON. How about the——

The CHAIRMAN. One hundred dollars a week?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Now, Mr. O'Neil——

Mr. O'NEIL. That doesn't seem like much, but, of course, that is \$5,000 a year.

Mr. ROBINSON. How about the Yorkshire Club?

Mr. O'NEIL. The Yorkshire; yes.

Mr. ROBINSON. How much business do you do with that club?

Mr. O'NEIL. Well, I think my business with them amounted to about \$200 a week.

Mr. ROBINSON. And the Flamingo Club?

Mr. O'NEIL. What town?

Mr. ROBINSON. Kentucky.

Mr. O'NEIL. Oh, that was a kind of fade-out, I don't know what became of that.

Mr. ROBINSON. But you did do business with them at one time?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Of any sizable amount?

Mr. O'NEIL. I wouldn't say so.

Mr. ROBINSON. Now, what is the Puerto Rico Industrial Development Co.?

Mr. O'NEIL. I don't know. They bought some stuff from me.

Mr. ROBINSON. You mean some dice?

Mr. O'NEIL. I will tell you what I think that was. Over there they have gambling inspectors. I recall that now. They bought some micrometers from me. They are gambling-house inspectors. They go around measuring the dice there to see that the customers are getting a fair shake.

The CHAIRMAN. Do you make those, too?

Mr. O'NEIL. No; we don't make them. A tool company makes them.

The CHAIRMAN. You just job them?

Mr. O'NEIL. Yes.

Mr. ROBINSON. You have done business with the River View Club, have you?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Is that a large club?

Mr. O'NEIL. Well, at one time it was quite a place, but that end of New Orleans, the gambling kind of died out of it.

Mr. ROBINSON. Who is Al Schorling?

Mr. O'NEIL. He was connected with the Club Forest.

Mr. ROBINSON. And you have had orders from him?

Mr. O'NEIL. Yes. Once in a great while. A fellow name Tredico did most of the ordering.

Mr. ROBINSON. Who is Sliman?

Mr. O'NEIL. Sliman?

Mr. ROBINSON. At New Iberia, La.

Mr. O'NEIL. He runs a place over there.

Mr. ROBINSON. And—

Mr. O'NEIL. Sports Center, I think it is called.

Mr. ROBINSON. How large a place is that?

Mr. O'NEIL. I have never been in it.

Mr. ROBINSON. Do you have any customers in the Galveston area?

Mr. O'NEIL. Yes.

Mr. ROBINSON. Who are your customers there?

Mr. O'NEIL. The Turf and DeLuxe Club and—oh, what is the name of the place where the Bamboo Room is?

The CHAIRMAN. The Balinese Room?

Mr. O'NEIL. Balinese Room. And two or three others I just can't recall at the present time. I can't recall the names.

Mr. ROBINSON. Do you know the Massina brothers in Galveston?

Mr. O'NEIL. No; I have heard of them.

Mr. ROBINSON. What have you heard about them?

The CHAIRMAN. I don't think that is necessary, unless you do know.

Mr. O'NEIL. I don't know. I couldn't give any direct answer.

Mr. ROBINSON. What would you say, roughly, was the volume of your business in Galveston?

Mr. O'NEIL. The volume of business down there of my business?

Mr. ROBINSON. Yes.

Mr. O'NEIL. Oh, let's see. I guess I might get 8 percent of my business there—7 percent; something like that.

The CHAIRMAN. Seven or eight percent of your entire business in Galveston?

Mr. O'NEIL. Yes; maybe 6 percent, perhaps.

The CHAIRMAN. Six or seven, and that represents six or seven places?

Mr. O'NEIL. Probably, yes; if you take in the Galveston area. There are two places between Houston and Galveston—two or three places.

Mr. ROBINSON. Do you have any large customers in Dallas?

Mr. O'NEIL. No; not for some years.

Mr. ROBINSON. Do you have any large customers or any customers at all in the District of Columbia area?

Mr. O'NEIL. No; none here.

Mr. ROBINSON. Maryland?

Mr. O'NEIL. No; no, I haven't done business around there for 7 or 8 years.

Mr. ROBINSON. Who is the largest customer on the east coast?

Mr. O'NEIL. I haven't any customers.

Mr. ROBINSON. You have none?

Mr. O'NEIL. No.

The CHAIRMAN. You mean this is just not your territory?

Mr. O'NEIL. That is right.

The CHAIRMAN. How about Jimmie La Fontaine?

Mr. O'NEIL. No; I never did business with him.

The CHAIRMAN. Snags Lewis; did you do business with him?

Mr. O'NEIL. No; I saw his name in the papers this morning. La Fontaine, I guess, always did business with Wills.

Mr. ROBINSON. Who is Wills?

Mr. O'NEIL. B. C. Wills & Co., Detroit.

Mr. ROBINSON. B. C. Wills?

Mr. O'NEIL. They are the biggest people in the business. That is P. C. Wills.

The CHAIRMAN. How big is their business, by the way?

Mr. O'NEIL. That is something I couldn't say but I imagine it is about anywhere up to six times mine.

The CHAIRMAN. Six times as big as yours?

Mr. O'NEIL. Yes.

The CHAIRMAN. Are they the big suppliers for the east coast?

Mr. O'NEIL. Now, I am not familiar with the business; I couldn't say; but they do a large business, they do business over the entire country—P. C. Wills.

Mr. ROBINSON. When was the last order you got from William Spellisy?

Mr. O'NEIL. I think it was around last spring.

Mr. ROBINSON. And what club does he operate?

Mr. O'NEIL. I don't know what club. It is in Morris, Ill.

The CHAIRMAN. Where?

Mr. O'NEIL. Morris, Ill.

Mr. ROBINSON. You have sold Al Wertheimer and Mert Wertheimer, in Reno, Nev.?

Mr. O'NEIL. Yes.

Mr. ROBINSON. What is the name of that club or casino?

Mr. O'NEIL. One is connected, I believe—what is the new hotel—the Mapes Hotel. The other is connected with the Riverside.

Mr. ROBINSON. Are they a recent customer or have you been doing business with them for several years?

Mr. O'NEIL. No; they are fairly recent customers.

Mr. ROBINSON. Did you do business with them in any other place?

Mr. O'NEIL. Never. I understand they are Detroit people.

Mr. ROBINSON. Now, I don't know whether I asked you this or not, Mr. O'NEIL: Did you at any time ever manufacture any of this magical dice?

Mr. O'NEIL. No.

Mr. ROBINSON. Never at any time?

Mr. O'NEIL. No.

Mr. ROBINSON. Did you ever manufacture playing cards?

Mr. O'NEIL. No; we don't manufacture poker chips either. We buy them from the United States Playing Card Co.—we did until they went out of business. Since then we have had another source of supply.

Mr. BURLING. Mr. O'Neil, are you familiar with the manufacturers of magical dice?

Mr. O'NEIL. Yes.

Mr. BURLING. Could you tell from whom we could buy some?

Mr. O'NEIL. Well, I guess you can buy from Mason & Co.

Mr. BURLING. Do you manufacture roulette wheels yourself?

Mr. O'NEIL. Yes.

Mr. BURLING. Do you manufacture wheels of any kind with a control over them?

Mr. O'NEIL. No.

Mr. BURLING. Do you know in the business where such wheels are manufactured?

Mr. O'NEIL. No. I believe most of that work is done by mechanics that go out and do it. There is not as much of that as there used to be.

Mr. BURLING. The trade practice is for the wheels to be sent out as honest wheels and then adjusted in the different casinos?

Mr. O'NEIL. Yes, but you don't find the casinos doing that thing.

Mr. ROBINSON. Who is the largest manufacturer on the west coast?

Mr. O'NEIL. It starts with S. There are two or three people in the business but there is one fellow out there who makes furniture—I am getting very bad on names—his name started with S and he is in Los Angeles.

The CHAIRMAN. Smiley?

Mr. O'NEIL. No.

Mr. ROBINSON. Do you have a large competitor in New York?

Mr. O'NEIL. No—I wouldn't know. There is Edwards down there, makes dice. He sells more or less in the South some.

The CHAIRMAN. All right.

Mr. ROBINSON. Is there any particular reason why you don't manufacture magical dice?

Mr. O'NEIL. Well, you have either got to take one or the other. You will find that if you have a reputation of making crooked stuff people in good casinos won't buy from you.

Mr. ROBINSON. Where does most of the trade come from so far as the magical dice is concerned, is it over-the-counter trade or is it by order, or what?

Mr. O'NEIL. Oh, our business is all telephone business and telegram. Occasionally I get a letter. Nearly everything is telephone.

The CHAIRMAN. How do they pay you, by check?

Mr. O'NEIL. C. o. d. Some of them have open accounts.

The CHAIRMAN. And those that have open accounts pay you by check?

Mr. O'NEIL. That is right.

The CHAIRMAN. Most of your business is c. o. d.?

Mr. O'NEIL. That is right.

The CHAIRMAN. Do you send it through the mails?

Mr. O'NEIL. Yes; mail, air-mail express.

The CHAIRMAN. Do you send any by express, railroad express?

Mr. O'NEIL. Usually only equipment goes by express. Everything else is nearly always sent air mail or air express.

The CHAIRMAN. Do you send out a catalog?

Mr. O'NEIL. Yes; we have a catalog.

The CHAIRMAN. Do you have a copy here?

Mr. O'NEIL. No; not with me, but I will mail you one.

The CHAIRMAN. Is there anything else?

By the way, do you have, outside of Nevada and Puerto Rico—Nevada, where gambling is legalized and Puerto Rico, where I assume it is legalized—

Mr. O'NEIL. Yes; it is.

The CHAIRMAN. Do you have any customers that are not in casinos or not in gambling operations?

Mr. O'NEIL. No. Occasionally you run across something like a country club that will want some kind of equipment for bingo or something like that.

The CHAIRMAN. But you would say that 98 or 99 percent is for casinos and gambling operations?

Mr. O'NEIL. That is right.

The CHAIRMAN. In violation of law, outside of Puerto Rico or Nevada?

Mr. O'NEIL. Yes; that is right.

The CHAIRMAN. All right.

Mr. ROBINSON. I believe that is all.

Mr. O'NEIL. What is the address?

The CHAIRMAN. Send it to Mr. Robinson.

Mr. O'NEIL. Where?

Mr. ROBINSON. Room 900, HOLC Building, First and Indiana Avenue NW.

The CHAIRMAN. Thank you, Mr. O'Neil. You have been a very cooperative witness.

Mr. O'NEIL. Thank you, sir. Can I go back to Chicago now?

The CHAIRMAN. Yes; you may go back.

Mr. O'NEIL. Thank you.

The CHAIRMAN. What other witnesses do we have?

Mr. ROBINSON. We have Mr. Lichtenstein, the punchboard manufacturer.

The CHAIRMAN. We will recess at this time until 2:15 this afternoon.

(Whereupon, at 12:50 p. m., the committee adjourned, to reconvene at 2:15 p. m. this same day.)

(REPORTER'S NOTE.—At the direction of the chairman, the following is taken out of sequence (occurring on February 17, 1951) and incorporated at this point:)

The CHAIRMAN. Mr. Robinson has been looking into the K. C. Card Co. owned by Harrington E. Drake. I understand he also owns the Mason Co., and that one is the selling company and the other is the manufacturing company.

We had written for their catalog and what not, but Mr. Robinson finds he has the information, the catalog and other things we wanted; and, also, upon examination of their records and examination of Mr. Drake, he has certain information with reference to the K. C. Card Co. and the Mason Co.

Mr. Robinson, will you state what you have?

Mr. ROBINSON. Mr. Chairman, as a result of the subpoena that was served on the K. C. Card Co., the records were examined briefly and the owner of the company, Mr. Harrington E. Drake, was interviewed. The salient facts disclosed as the result of the examination and the interview were, as you have already stated, that the K. C. Card Co. is owned by Mr. Drake and is the manufacturing part of the business; and the Mason Co. is also owned by Mr. Drake and acts as the selling agency. Both companies were at one time incorporated but subsequently dissolved, and the same names were preserved with the ownership in Mr. Drake.

The average business done by the two companies ranges between \$190,000 to \$230,000 a year.

The company did at one time manufacture what is known as casino equipment, but at the present time specializes in dice and playing cards and various paraphernalia that goes with those two items. About one-twentieth of the volume of the business of the company is in so-called magical dice. At the time the company did manufacture the so-called casino furniture, their volume of business ranged from \$380,000 to \$500,000 a year.

The two documents which I would recommend be placed as exhibits in the record are the so-called Blue Book, No. 500, which is the catalog of the K. C. Card Co., which lists all the items that the company manufactures.

The CHAIRMAN. That will be made an exhibit, No. 3, noting that it sets out the so-called magical dice or loaded dice, and also the marked cards and various and sundry types of magical equipment, including some kind of glasses that you put on—they call them luminous readers—and can see what the card is from the back; otherwise, you can't tell from looking at the card from the back. That is on page 22 of the catalog, and it is very interesting.

(Blue Book, No. 500, was marked as "Exhibit No. 3," and is on file with the committee.)

The CHAIRMAN. Then, you also have one of the advertisements, I believe?

Mr. ROBINSON. There is an advertising circular which came to the committee, which apparently is a document that is sent out to the trade by the K. C. Card Co., something similar to the other documents.

The CHAIRMAN. We will make this exhibit No. 4.

(The document was marked as "Exhibit No. 4, and is on file with the committee.)

The CHAIRMAN. Then, with this catalog we have an order blank which we will call exhibit No. 5, which is sent out to the trade. Is that correct, Mr. Robinson?

Mr. ROBINSON. Yes.

(The order blank referred to was marked as "Exhibit No. 5," and is on file with the committee.)

The CHAIRMAN. Mr. Robinson, do you have the opinion of the Solicitor of the Post Office Department as to the situation about the use of the mails for shipping out punchboards and similar types of gambling equipment?

Mr. ROBINSON. Mr. Chairman, I believe that came up in connection with a question that was asked of Mr. Brookfield in connection with the punchboard industry, and that opinion has been given to the chairman by the Acting Solicitor of the Post Office Department, and I would like to offer that as an exhibit to the hearings of the committee.

The CHAIRMAN. Will you state, Mr. Robinson, what the opinion of the Solicitor is, without reading all of the opinion?

Mr. ROBINSON. The substance of the opinion reads as follows:

It has been the practice not to exclude punchboards and other chance devices, per se, from the mails, such practice being based upon an opinion of the Attorney General concerning the application of the postal lottery statute to an advertisement of a slot machine called the Boomer (22 Op. A. G. 198). If the chance device is shipped on a commission or consignment basis, so that the sender retains an interest in the operation of the lottery existent when the device is being played, we have held such a mailing to conflict with the law.

The CHAIRMAN. And do you also have the opinion of the Attorney General upon which that is based?

Mr. ROBINSON. No, Mr. Chairman, we do not have the opinion, but it can be found at citation.

The CHAIRMAN. All right. Let this letter from the Solicitor be copied into the record at this point.

(The letter referred to reads in full as follows:)

POST OFFICE DEPARTMENT,
OFFICE OF THE SOLICITOR,
Washington 25, D. C., January 24, 1951.

HON. ESTES KEFAUVER,
United States Senate.

DEAR SENATOR: This will acknowledge your letter of January 11, 1951, with further reference to the use of the mails by Crosby-Paige Industries, Inc., as well as others, for the conduct of certain schemes involving the distribution of punchcards.

The Postal Bulletin notice of February 12, 1948, was supplemental to the one of January 27, and was issued for the purpose of clarifying the latter. Although it is stated in the January 27 notice that the Postmaster General may "upon evidence satisfactory to him" instruct postmasters to take the action outlined respecting the return of mail to senders, yet, after publication, it was seen that this notice was misunderstood by certain postmasters to consist of an instruction to them to make their own determinations as to the mailability of such matter and, upon such independent determination, return the mailings with the en-

dorsement "Fraudulent." Therefore, the supplemental instruction was published so that the postmasters would understand that the punchcard mailings were to be returned to sender marked "Fraudulent" only if an order is issued by the Postmaster General against the sender under the provisions of section 604 of the Postal Laws and Regulations of 1940 (sec. 36.9, P. L. & R., 1948, 39 U. S. C. 259).

You require as to the practice of the Post Office Department with respect to the mailing of punchboards and what, in the opinion of this Office, the applicable law is. Additionally, you request an expression from this Department as to whether the law should be amended to exclude punchboards and similar devices from the mails.

It has been the practice not to exclude punchboards and other chance devices, per se, from the mails, such practice being based upon an opinion of the Attorney General concerning the application of the postal lottery statute to an advertisement of a slot machine called the Boomer (22 Op. A. G. 198). If the chance device is shipped on a commission or consignment basis so that the sender retains an interest in the operation of the lottery existent when the device is being played, we have held such a mailing to conflict with the law.

The type of plan engaged in by Crosby-Paige Industries, Inc. has for some years been permitted use of the mails without interference by the Department. However, upon a reexamination of the law, it was decided to take action against the Crosby-Paige scheme, which has now been held by the Postmaster General to be a lottery, a scheme for the distribution of personal property by lot or chance. As previously noted, the order issued against this corporation is now before the court. Until the court has disposed of the case and determined whether or not the scheme contravenes the postal lottery laws, this Department does not feel that it would be advisable to make any recommendations with respect to an amendment of the law to exclude punchcards and similar devices.

Sincerely yours,

ROY C. FRANK,
Acting Solicitor.

The CHAIRMAN. While Mr. Robinson is here with us, I asked Mr. Robinson to secure such information as he could relative to the narcotic situation in the Chicago area and, in addition to such other information as we wish to have, Mr. Robinson has a document which I think should be made part of the record.

Will you explain what it is?

Mr. ROBINSON. The document was furnished to the committee by the legislative committee of the Crime Prevention Bureau in Chicago. This legislative committee was set up to study the narcotics problem, and the document is a report of the legislative committee on narcotics in Chicago, and the recommendations of the committee.

The CHAIRMAN. Let it be made a part of the record as an exhibit.

(The document referred to was marked as "Exhibit No. 6," and is on file with the committee.)

AFTERNOON SESSION

(The hearing was resumed in room 457, Senate Office Building, Washington, D. C.)

The CHAIRMAN. Mr. Robinson, who is our next witness?

Mr. ROBINSON. Mr. Lichtenstein.

The CHAIRMAN. The committee will come to order please.

Mr. Lichtenstein, will you come around, sir, and hold up your hand.

Mr. Lichtenstein, do you solemnly swear the testimony you give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. LICHTENSTEIN. Yes.

Mr. ROBINSON. State your name, please, your full name.

**TESTIMONY OF LEO LICHTENSTEIN, PRESIDENT AND TREASURER,
HARLICH CORP., CHICAGO, ILL.**

Mr. LICHTENSTEIN. Leo Lichtenstein.

Mr. ROBINSON. Mr. Lichtenstein, try to keep your voice up as much as possible.

Mr. LICHTENSTEIN. Yes.

Mr. ROBINSON. What is your address?

Mr. LICHTENSTEIN. Home or office?

Mr. ROBINSON. Both.

Mr. LICHTENSTEIN. 3730 Lake Shore Drive.

Mr. ROBINSON. That is your home?

Mr. LICHTENSTEIN. Home; and 310 West Polk Street, business.

Mr. ROBINSON. What business are you in?

Mr. LICHTENSTEIN. I can't hear you.

Mr. ROBINSON. What business are you in?

Mr. LICHTENSTEIN. Manufacturer of punchboards.

Mr. ROBINSON. And the addresses you just gave were Chicago, is that correct?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. Are you in business individually or are you connected with a corporation?

Mr. LICHTENSTEIN. A corporation.

Mr. ROBINSON. The Harlich Corp.?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. What is your official position with that?

Mr. LICHTENSTEIN. President and treasurer.

Mr. ROBINSON. How long has the corporation been in existence?

Mr. LICHTENSTEIN. It will be 2 years February 28.

Mr. ROBINSON. Prior to that time were you in business as an individual?

Mr. LICHTENSTEIN. Partnership.

Mr. ROBINSON. In the same type of business or same type of punchboards?

Mr. LICHTENSTEIN. Right.

Mr. ROBINSON. How long have you been in the business of manufacturing punchboards all together?

Mr. LICHTENSTEIN. Thirty years.

Mr. ROBINSON. Always in Chicago, is that right?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. Mr. Lichtenstein—is that the way you pronounce it, by the way?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. You were present when Mr. Brookfield testified this morning?

Mr. LICHTENSTEIN. Yes.

Mr. ROBINSON. You know Mr. Brookfield?

Mr. LICHTENSTEIN. Very well.

Mr. ROBINSON. And he did give certain testimony with respect to your company. Is there any correction that you wish to make in that connection?

Mr. LICHTENSTEIN. Well, all he said is that we were in controversy with the Federal Trade Commission, is that right?

Mr. ROBINSON. Yes.

Mr. LICHTENSTEIN. And they issued a cease and desist order, from which we are appealing.

Mr. ROBINSON. What is the volume of your business dollarwise?

Mr. LICHTENSTEIN. Well, it is considerably down to about three or four hundred thousand dollars.

Mr. ROBINSON. Gross sales?

Mr. LICHTENSTEIN. Yes, sir.

Mr. ROBINSON. Is that the highest it has ever been?

Mr. LICHTENSTEIN. No, it is the lowest.

Mr. ROBINSON. What is the highest it has ever been?

Mr. LICHTENSTEIN. It was well over a million dollars.

Mr. ROBINSON. What years was it over that amount?

Mr. LICHTENSTEIN. 1943, 1944, 1945, 1946.

Mr. ROBINSON. There has been a gradual decrease in the business?

Mr. LICHTENSTEIN. No; shortage of material, shortage of material.

Mr. ROBINSON. That is the reason for the decrease?

Mr. LICHTENSTEIN. That is one of the reasons.

Mr. ROBINSON. What are the other reasons?

Mr. LICHTENSTEIN. I can't answer that.

Mr. ROBINSON. Solely a shortage of materials is the cause of the decrease in the business, no other reason except that?

Mr. LICHTENSTEIN. That is about all.

Mr. ROBINSON. Do you manufacture any other equipment or items, like punchboards?

Mr. LICHTENSTEIN. Well, we make some munition parts for the Government.

Mr. ROBINSON. Well, do you manufacture any of the jar numbers or baseball or football pool numbers?

Mr. LICHTENSTEIN. No, nothing like that; just strictly punchboards.

Mr. ROBINSON. What types do you manufacture?

Mr. LICHTENSTEIN. Well, we make what is known as a money board, and then we make boards to sell merchandise.

Mr. ROBINSON. What is the comparative proportion of both types of boards that you manufacture?

Mr. LICHTENSTEIN. I would say 75-25; 75 percent money boards and 25 percent merchandise boards.

Mr. ROBINSON. Is that the average since you have been in business?

Mr. LICHTENSTEIN. No.

Mr. ROBINSON. Has it been higher on the money board side?

Mr. LICHTENSTEIN. No; it was higher on the merchandise boards.

Mr. ROBINSON. And the gambling boards have gradually increased over the years?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. And the others have gone down?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. How do you account for that?

Mr. LICHTENSTEIN. Evolution of business.

Mr. ROBINSON. There is more of a demand for the gambling boards?

Mr. LICHTENSTEIN. That is about right.

Mr. ROBINSON. Now, who are the officers of the company? You gave yourself. Who are the other officers?

Mr. LICHTENSTEIN. Leo Lichtenstein, Libbie, and Byron J. Lichtenstein.

The CHAIRMAN. I did not understand the names.

Mr. LICHTENSTEIN. Byron J.

The CHAIRMAN. Is he a brother or son?

Mr. LICHTENSTEIN. He is a son.

The CHAIRMAN. Who are the others?

Mr. LICHTENSTEIN. Just one, Libbie, L-i-b-b-i-e.

The CHAIRMAN. Who is that?

Mr. LICHTENSTEIN. That is my wife.

The CHAIRMAN. Is that your daughter?

Mr. LICHTENSTEIN. My wife.

The CHAIRMAN. That is your wife.

Mr. ROBINSON. It is a family controlled corporation?

Mr. LICHTENSTEIN. Right.

Mr. ROBINSON. Where do you distribute your products?

Mr. LICHTENSTEIN. Throughout the country.

Mr. ROBINSON. Is there any particular area that you distribute in more than some other area?

Mr. LICHTENSTEIN. Well, the more populated areas, why, the more boards you consume there.

Mr. ROBINSON. I mean countrywise rather than citywise.

Mr. LICHTENSTEIN. Well, Wyoming would not be so hot; it is a very small state; neither would Tennessee.

Mr. ROBINSON. How about the western part of the country?

Mr. LICHTENSTEIN. A very small part of the country, don't you see?

Mr. ROBINSON. The distribution is not so great there as it would be in the East?

Mr. LICHTENSTEIN. No. The greater the population, the greater the usage of the boards.

Mr. ROBINSON. How many people do you employ in the company?

Mr. LICHTENSTEIN. Approximately a hundred.

Mr. ROBINSON. Are they all in the manufacturing end of it?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. Mr. Lichtenstein, there were several of the boards that were shown to the committee this morning.

Mr. LICHTENSTEIN. Yes.

Mr. ROBINSON. What I wanted to ask you about is whether or not the design of those boards is made by each individual manufacturer.

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. You have an artist who does that work?

Mr. LICHTENSTEIN. That is right, we have.

Mr. ROBINSON. What is the particular purpose of that? Is that a selling item?

Mr. LICHTENSTEIN. It is just like styling ladies' dresses, design, that is all, which is more attractive.

Mr. ROBINSON. I believe you heard Mr. Brookfield testify about the sale of a key to the board by some party in, I believe it was, Los Angeles or California.

The CHAIRMAN. Long Beach.

Mr. ROBINSON. Long Beach, Calif. Does the manufacturer know when the board is made where the prize-winning numbers are?

Mr. LICHTENSTEIN. No.

Mr. ROBINSON. Will you describe how the board is made?

Mr. LICHTENSTEIN. Well, they are printed haphazardly; they are not consecutive, and they are mixed in the machinery as they are filled but the boards that you refer to, we call them fixed boards. These fellows buy these boards——

Mr. ROBINSON. What do you mean by "these fellows"?

Mr. LICHTENSTEIN. Like—what was the name of the one in California?

Mr. ROBINSON. Would you classify them as distributors or——

Mr. LICHTENSTEIN. No. They buy the boards. We don't even sell them, but they will buy them through a jobber or something, and they will take these boards, and Mr. Brookfield was a little wrong in the operation of these boards.

They buy a board, and they punch out all the numbers, that is, they pluck them out, through the back. You see, there is a very thin tissue, and then they take all the numbers, say, ending in zero zero, and they will place them like three rows over and five rows down, and they will key these boards, and they will take five big prizes—not all of the prizes—there might be five \$10 prizes, down there, and the rest intermediate prizes, like a dollar or something, and they will sell boards to teams. One places the board in a spot, and along comes a confederate the next day and he knows where all these winners are, don't you see, and he punches them out, but no factories have anything to do with it. So the dealer that put the board up, he is the one that takes the trimming, but Mr. Brookfield said that he punches those numbers out himself. He could not possibly hold his trade if he did that, because they would come back and say, "Who won the \$10's?" Are you listening?

Mr. ROBINSON. You say the dealer takes the trimming?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. It is also possible that the person who punches the board will take a trimming, too.

Mr. LICHTENSTEIN. Oh, they definitely do; they do, because this confederate will punch out, say there were five \$10 winners down there, he would punch those out, you see, and somebody else comes in, why, of course, the dealer will tell him, "Well, the tens are off the board," and the board is no good any more. He probably took a licking by giving out \$50, and probably taking in \$4 or \$5, you see.

Mr. ROBINSON. How extensive is that practice?

Mr. LICHTENSTEIN. Very, very small—very small. It is very negligible.

Mr. ROBINSON. Is it more prevalent in some States than others?

Mr. LICHTENSTEIN. No. The fact is we have not run across it in years, but they will sell a board here and there. They get a fabulous price for it, something like fourteen and a half dollars, where the board is worth only about \$2, you see.

Mr. ROBINSON. Do you know the individual——

Mr. LICHTENSTEIN. No, I don't.

Mr. ROBINSON. To whom reference was made?

Mr. LICHTENSTEIN. No, I don't.

Mr. ROBINSON. Are there any others that you know of besides that one?

Mr. LICHTENSTEIN. I know of two, this one and Mason & Co. I think they are in Chicago and Kansas City; and everything they sell is what we call phonies, marked cards, loaded dice, and things of that,

although I don't know the man or the firm; we have had their catalog from time to time.

Mr. ROBINSON. Do they also rig these punchboards?

Mr. LICHTENSTEIN. They do.

Mr. ROBINSON. You know that of your own knowledge?

Mr. LICHTENSTEIN. Well, we have seen the boards; yes, from time to time.

The CHAIRMAN. Before we go any further, let me make an announcement. I make it at the beginning of every hearing or sometime during the hearing. We are using names of people, and also of companies, and anybody who feels that they have been improperly represented or want to make any explanation or come in to make any denial of what has taken place, all they need to do is to let the committee know, and we will be glad to hear them.

I say that because you are talking about Mason & Co., and they should have an opportunity for being heard in this connection if they want to make any explanation or denial of what you have said as to the kind of board they made.

Mr. LICHTENSTEIN. That is probably—they publish that in their catalog.

The CHAIRMAN. We wish to give them a chance to be heard.

Is that in their catalog?

Mr. LICHTENSTEIN. That is right, the same as this fellow had it in his circular.

The CHAIRMAN. Mr. Robinson, let us write Mason & Co. and ask them for a catalog, and also advise them of the testimony that has been given here so that they will have a chance to present anything they want to in connection with it. Excuse me for interrupting.

Mr. ROBINSON. How many types of board do you manufacture?

Mr. LICHTENSTEIN. Innumerable types, maybe a thousand.

Mr. ROBINSON. A thousand different types?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. Would you describe some of the more common types?

Mr. LICHTENSTEIN. Well, I would not know what you mean by that. You mean in a money board or merchandise board?

Mr. ROBINSON. In the money board.

Mr. LICHTENSTEIN. I think Mr. Brookfield showed you about what the average boards run. Cigarette boards or plain boards, what he showed you in money boards, everything is a variation of that particular board, see, either larger or smaller, or something like that.

Mr. ROBINSON. What is the most expensive gambling board that you put out?

Mr. LICHTENSTEIN. You mean at wholesale cost?

Mr. ROBINSON. No; what I am getting at is——

Mr. LICHTENSTEIN. What it would take in retail?

Mr. ROBINSON. What is the board that you put out that you can gamble the largest amount of money on? Do you call them a dollar board or one that you pay \$2 for?

Mr. LICHTENSTEIN. No; there are very few of those. Most of the boards are 5 or 10 cents a punch.

Mr. ROBINSON. Are there any that run up to a dollar?

Mr. LICHTENSTEIN. Very few.

Mr. ROBINSON. Do you manufacture those?

Mr. LICHTENSTEIN. That is right; very few.

Mr. ROBINSON. Who are the customers for that type of board?

Mr. LICHTENSTEIN. I would not know especially.

Mr. ROBINSON. Any particular class of customers?

Mr. LICHTENSTEIN. No. It might be some fellow that has a store that has some well-paying customers that come in and want to punch for a dollar; of course, their action is bigger because they can get a bigger prize, you see.

Mr. BURLING. Mr. Lichtenstein, you said that the manufacturer did not know what numbers were placed in the boards; is that right?

Mr. LICHTENSTEIN. That is right.

Mr. BURLING. Does the manufacturer know on each board how much it would pay out?

Mr. LICHTENSTEIN. Well, we specify that on the headings of the board, if they are money boards; but if they are plain boards our customers can use it any way they please; they can put candy on it or cigarettes or pipes or what-not.

Mr. BURLING. Well, let us take a cigarette board.

Mr. LICHTENSTEIN. Yes.

Mr. BURLING. If I want to buy a cigarette board from you, and I find out how many cigarettes it will pay out, assuming it is all punched out—

Mr. LICHTENSTEIN. It is all on the legend there.

Mr. BURLING. So that you do have the winning numbers controlled?

Mr. LICHTENSTEIN. That is right.

Mr. BURLING. In the industry, so far as you know, are any boards manufactured where the winning numbers are not included on the board?

Mr. LICHTENSTEIN. No; not that I know of.

Mr. BURLING. You could not tell me where I could buy a board which did not have the winning numbers in it at all?

Mr. LICHTENSTEIN. I don't think there is anything like that made.

Mr. BURLING. You do not manufacture such?

Mr. LICHTENSTEIN. No, sir.

Mr. BURLING. But each individual board has the predetermined number of winning numbers, is that right?

Mr. LICHTENSTEIN. No. You take a board with a thousand numbers in it. The numbers run from 1 to 1,000, but they are haphazardly jumbled up in these different holes, and nobody knows where the exact location is, but all the numbers are in there.

Mr. BURLING. This morning I asked Mr. Brookfield what his opinion was as to the total volume of money gambled on a punchboard in the country. You have been in this business 30 years.

Mr. LICHTENSTEIN. That is right.

Mr. BURLING. Do you have an opinion?

Mr. LICHTENSTEIN. Not as to volume, but Mr. Brookfield was a little wrong in his explanation of a money board, which came up, and it took in \$120 and paid out \$80. Do you recall it, Mr. Robinson, or you do, Senator, don't you? It took in \$120 and paid out \$80.

Now, that \$120 is not a sale, because when a fellow punches a board, and he punches \$2 and he gets back a \$10 prize, when that board is finished up the sale is only \$40, not \$120.

Mr. ROBINSON. Well, the profit is \$40.

Mr. LICHTENSTEIN. I know, but that is the sale is \$40, not \$120, because he has given back \$80, don't you see?

The CHAIRMAN. Well, the total take is \$120, but this part of it is——

Mr. LICHTENSTEIN. No; that is not the sale, because if he gave him a \$10 bill and he handed him back \$8, that would not have been a \$10 sale, because it cost \$8 to make that sale.

The CHAIRMAN. By "sale" you mean the net profit?

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. We were talking about gross take. You are talking about net.

Mr. LICHTENSTEIN. Well, the gross take is—immediately he is to pay that \$80 back. For instance, one man unched the board out of \$120, and you would have to give him \$80 back, because that is in the board, and then the sale is only \$40.

Mr. ROBINSON. Let us put it this way: What is the total amount gambled on the board?

Mr. LICHTENSTEIN. Well, this will give you an idea. A board will cost you——

Mr. ROBINSON. What is the total amount gambled on that board? That is \$120.

Mr. LICHTENSTEIN. Well, I do not agree with you there. I do not agree with you there. Just for the sake of argument, I do not agree with you.

The CHAIRMAN. I think we all understand one another. The total amount that would be given to the fellow who was operating the board would be \$120.

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. Now, he would pay out the \$80, and his take would be—I mean his net take would be—\$40, less what he paid for the board; that would be his sale. That is what you call the sale?

Mr. LICHTENSTEIN. That is right; so that would be about 10 to 1, you see.

The CHAIRMAN. All right.

Mr. BURLING. Will you tell us what the average return—that is, what the average take, not the sale, but the total taken in of your boards is, your money boards?

Mr. LICHTENSTEIN. Can we go back to this particular board again, where Mr. Brookfield slipped up a bit? When a man punches a punch-board he is liable to win in a very few dollars all the main prizes on the board, and the dealer would lose money on it. It does not take in \$120 each time, nor does he make \$40 profit each time.

Mr. BURLING. Will you try to follow my questions, and then answer?

Mr. LICHTENSTEIN. That answers it, doesn't it?

Mr. BURLING. No. What I am trying to get at is, What is the average, how many holes are there in the average board you sell? Would a thousand be the average?

Mr. LICHTENSTEIN. That would be about the average; yes; because it is——

Mr. BURLING. How much—what is your average price—for a thousand-hole board?

Mr. LICHTENSTEIN. About three and a half dollars.

Mr. BURLING. Are the most common boards 5-cent boards or quarter boards, or what?

Mr. LICHTENSTEIN. The most popular size are the 5-cent boards.

Mr. BURLING. So that the most popular board, money board, is a board that, if all the holes are punched, takes in \$50?

Mr. LICHTENSTEIN. That is right.

Mr. BURLING. How much does the most common board sold pay back of those \$50?

Mr. LICHTENSTEIN. They pay about twenty-seven and a half to \$30 back. It all depends on what the customer wants. If he wants a 60-percent return or a 50-percent return, it all depends on what he wants.

Mr. BURLING. That is, if I wanted to have a board in my cigar store I could choose a 40-percent return or a 50-percent return or a 60-percent return?

Mr. LICHTENSTEIN. Or 70-percent return or 85-percent return.

Mr. BURLING. But the most common is around 50; is that right?

Mr. LICHTENSTEIN. That is right; that would be about the average.

Mr. BURLING. What is your average price for a board, a thousand-hole board?

Mr. LICHTENSTEIN. About three and a half dollars on a money board.

Mr. BURLING. So that, assuming that the board is all punched out, the amount of money played is at least 20 times the price of the board; is that right?

Mr. LICHTENSTEIN. Practically, yes; about 17 times, 16 times.

Mr. BURLING. In the years when you had a million-dollar gross, if the board was all punched out, if every board you sold was all punched out, there would be a fair guess something like \$20,000,000 gambled on your boards.

Mr. LICHTENSTEIN. But you must discount the holes sold—only 50 percent are sold out.

Mr. BURLING. You mean the board—the prizes have gone sufficiently so that you do not get a board punched out?

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. On the other hand, if most of the holes are punched, and the operator sees that none of the prizes have been punched, he may just take the board off the stand, may he not?

Mr. LICHTENSTEIN. Oh, yes; because if he has a regular line of customers, and the main prizes are gone, he would not ask them to punch out a dead board, because he would lose his customers.

The CHAIRMAN. No; what I mean is if the main prizes are not gone—

Mr. LICHTENSTEIN. Yes.

The CHAIRMAN (continuing). And it is rumored that he may just crack the board up and throw it away.

Mr. LICHTENSTEIN. No.

The CHAIRMAN. You do not think they do that?

Mr. LICHTENSTEIN. You would not patronize, or I would not patronize, a customer if I were punching boards and knew there were two \$10 prizes on there, and 5 minutes later he jerked the board.

The CHAIRMAN. Of course, the customer does not always stay there to see what happens.

Mr. LICHTENSTEIN. But he has to tell who won the prizes.

The CHAIRMAN. He moves on.

Mr. LICHTENSTEIN. He might have a hundred customers punching a board, and he would want to know. He may do it once, but he will not do it again.

The CHAIRMAN. Some of the boards have grand prizes.

Mr. LICHTENSTEIN. These are not grand prizes; these are just open numbers; you may win as you punch them.

The CHAIRMAN. All right.

Mr. ROBINSON. Well, along the line of the chairman's thought, and getting back to the \$120 and \$80 board we were talking about——

Mr. LICHTENSTEIN. Yes.

Mr. ROBINSON (continuing). \$40 is a minimum.

Mr. LICHTENSTEIN. That would be the maximum he could win, the maximum profit he could make.

Mr. ROBINSON. No; but at some time during the punching of that board, if all the prizes are not punched out——

Mr. LICHTENSTEIN. He could lose.

Mr. ROBINSON (continuing). He may be ahead \$50 or \$60, and break the board.

Mr. LICHTENSTEIN. No; it could be just the reverse. If all the big prizes were won right off the bat.

Mr. ROBINSON. Let us assume all the big prizes are not won.

Mr. LICHTENSTEIN. Then the board might go to the end. Then there would be a positive \$40 profit.

Mr. ROBINSON. He would not have to go to the end, would he, if the profit was higher at that particular period?

Mr. LICHTENSTEIN. Rarely do they ever go to the end.

The CHAIRMAN. I think we understand one another. Let us go on to something else.

Mr. ROBINSON. Well, you heard, Mr. Lichtenstein, Mr. Brookfield testify as to what he thought was a fair estimate of the total amount that was played on the punchboard. Does that agree with your——

Mr. LICHTENSTEIN. Played on punchboards? Do you say played on punchboards or the manufacturing?

Mr. ROBINSON. No; the total amount that was actually played on punchboards.

Mr. LICHTENSTEIN. I don't think anybody could estimate that.

Mr. ROBINSON. I think he gave a figure of something between 100 million and a billion dollars.

Mr. LICHTENSTEIN. Oh, no; there is nothing like that; no.

The CHAIRMAN. Well, you estimated. I believe, when you testified that in 1947 the total gross sales of punchboards amounted to about \$10,000,000 a year.

Mr. LICHTENSTEIN. Not the gross sales of the punchboards, the punchboard manufacturers' production was \$10,000,000 at that time.

The CHAIRMAN. Yes. In other words, that that many punchboards were sold by the manufacturers.

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. That has gone up by now, has it not?

Mr. LICHTENSTEIN. No, down.

The CHAIRMAN. You think it has gone down? Why has it gone down?

Mr. LICHTENSTEIN. Shortage of material, price wars, and so forth.

The CHAIRMAN. You mean the price may have been reduced?

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. But the number of boards sold has not gone down, has it?

Mr. LICHTENSTEIN. I think they are about the same.

Mr. ROBINSON. Do you have any estimate of the total number of boards that are actually sold—manufactured and sold—during the year, not dollarwise?

Mr. LICHTENSTEIN. By us or by everybody?

Mr. ROBINSON. By everybody.

Mr. LICHTENSTEIN. I would not have any knowledge of that.

Mr. ROBINSON. How many by your company?

Mr. LICHTENSTEIN. Well, we probably make——

Mr. ROBINSON. All types.

Mr. LICHTENSTEIN. A half million boards, you see, but some are only 10, 12 cents apiece.

The CHAIRMAN. Right at that point, you make a half million. How do you stand in the business? Are you the second or third largest?

Mr. LICHTENSTEIN. No, fifth, sixth, or seventh, I think.

The CHAIRMAN. Fifth, sixth, or seventh?

Mr. LICHTENSTEIN. Right now.

The CHAIRMAN. What is the largest, the Sax products?

Mr. LICHTENSTEIN. I think they are; that is, I don't know for sure, but I just imagine they are.

The CHAIRMAN. Let us get the five or six big ones. How would you list them?

Mr. LICHTENSTEIN. You mean in their order?

The CHAIRMAN. Yes.

Mr. LICHTENSTEIN. Well, I would not know about that.

The CHAIRMAN. Let us have your best guess.

Mr. LICHTENSTEIN. Well, I would say Superior would be No. 1, but who would be second or third, I would not know.

The CHAIRMAN. Well, then, who are the other big ones?

Mr. LICHTENSTEIN. Well, there is Gardner & Co., there is Hamilton Manufacturing Co. in Minneapolis, and there is Bee Jay Products Co.; then there is Pioneer Manufacturing Co.; I think we will come in next after them.

The CHAIRMAN. Where does Mason Co. come in?

Mr. LICHTENSTEIN. That is a little bit of an outfit.

The CHAIRMAN. That is a little one?

Mr. LICHTENSTEIN. They don't manufacture; they manufacture nothing.

The CHAIRMAN. They are fixer jobbers, as you call them?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. Mr. Lichtenstein, does your volume of sales vary, depending upon the extent or intensity of the activities of law-enforcement officials in various States against gambling devices?

Mr. LICHTENSTEIN. I don't think so; I don't think so.

Mr. ROBINSON. You noticed no reflection in your gross sales, depending upon the intensity of some State's antigambling activities?

Mr. LICHTENSTEIN. I have not seen it yet; it might be. I have not seen it yet, though.

The CHAIRMAN. How many customers do you have?

Mr. LICHTENSTEIN. We have 10,000 customers.

Mr. ROBINSON. Do you have any average figure of sales through your customers?

Mr. LICHTENSTEIN. Well, if you figure on sales, say, 400,000, there would be about \$40 apiece.

Mr. ROBINSON. Forty dollars a customer on the average?

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. Mr. Burling, do you have any questions?

Mr. BURLING. No, Mr. Chairman.

The CHAIRMAN. How do you ship your punchboards?

Mr. LICHTENSTEIN. By express, freight, and truck.

The CHAIRMAN. You do not send them in the mail any more?

Mr. LICHTENSTEIN. Yes; we do if the zone is all right.

The CHAIRMAN. What?

Mr. LICHTENSTEIN. If the costs in the zone area are all right.

The CHAIRMAN. I thought we had a postal regulation just recently that you could not ship them in the mails.

Mr. LICHTENSTEIN. No; so long as they are sealed.

The CHAIRMAN. As long as they are what?

Mr. LICHTENSTEIN. It is first-class mail, as first-class mail.

The CHAIRMAN. You can ship them as first-class mail?

Mr. LICHTENSTEIN. That is right, not parcel post.

The CHAIRMAN. Do you attempt to comply with the laws of the States as to whether they are legal or illegal, or do you ship into them regardless?

Mr. LICHTENSTEIN. We have nothing to do with that. We sell anybody who wants to buy.

The CHAIRMAN. Whether it is in a legal State or in an illegal State, is that correct?

Mr. LICHTENSTEIN. It does not make any difference, that is right. It is all local option anyway.

The CHAIRMAN. What?

Mr. LICHTENSTEIN. It is all local option so far as I know throughout the country.

The CHAIRMAN. Well, there are only five or six States where the punchboards are legal.

Mr. LICHTENSTEIN. That is State-wide.

The CHAIRMAN. But do you try to comply with the State laws in which they are illegal, and not ship into those States?

Mr. LICHTENSTEIN. No; we are not law-enforcement people. If anybody wants to buy them from us we will sell to them.

The CHAIRMAN. So even though they may be completely outlawed in the State if somebody orders one in that State you will ship them?

Mr. LICHTENSTEIN. Yes; but we don't know whether they are going to be used in that State or not; we wouldn't know.

The CHAIRMAN. Do you usually sell to jobbers or wholesalers? Do you sell directly?

Mr. LICHTENSTEIN. We sell to candy manufacturers, jobbers, tobacco jobbers, wholesale grocery firms, wholesale drug firms, and we sell to others known as operators who buy these boards, and they either sell them to a dealer or they operate with them on a commission basis.

The CHAIRMAN. And take a percentage of the profit.

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. And the financial transactions, the exchange of money and payment for these boards, is that usually by check or do you send them out C. O. D.?

Mr. LICHTENSTEIN. Both ways. We have open accounts and C. O. D., and cash in advance, too.

The CHAIRMAN. Do you have an association that sort of protects the trading interests of the punchboard manufacturers?

Mr. LICHTENSTEIN. No. Like Mr. Brookfield tells you, we had a code authority under the NRA, and after that, why nothing happened.

The CHAIRMAN. You still do have sort of a loose association?

Mr. LICHTENSTEIN. That is right. We meet once in a while to see what is the matter with us.

The CHAIRMAN. Do you meet once a year?

Mr. LICHTENSTEIN. We meet oftener than that, maybe two or three times a year.

The CHAIRMAN. Where do you have your meetings?

Mr. LICHTENSTEIN. In my office or somebody else's office, or may in a hotel if the crowd is too big.

The CHAIRMAN. I am talking about national meetings.

Mr. LICHTENSTEIN. National meetings?

The CHAIRMAN. Yes.

Mr. LICHTENSTEIN. Not anything like that.

The CHAIRMAN. You are talking about the Chicago meetings?

Mr. LICHTENSTEIN. We will go east and combine pleasure and meet a couple of the other fellows there; we did recently.

Mr. ROBINSON. What are the purposes of the meetings?

Mr. LICHTENSTEIN. Why, we have been having a terrific price war for the last 3 years.

Mr. ROBINSON. Having what?

Mr. LICHTENSTEIN. A terrific price war.

Mr. ROBINSON. And are the meetings for the purposes of discussing those price wars?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. Is there usually an understanding about the price war among the members?

Mr. LICHTENSTEIN. A misunderstanding.

Mr. ROBINSON. Well, for a period of time anyway.

Mr. LICHTENSTEIN. It does not do any good at all.

Mr. ROBINSON. It does not do any good?

Mr. LICHTENSTEIN. No.

Mr. ROBINSON. But that is the purpose of the meeting, is it not?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. To try to establish the price, have everyone agree on it.

Mr. LICHTENSTEIN. Not to establish a price, but to stop cutting prices.

Mr. ROBINSON. Well, that is substantially the same thing.

Mr. LICHTENSTEIN. That is about right.

Mr. ROBINSON. Do you discuss at those meetings anything about the distribution of the boards in various territories? Is it generally understood that one company will have one territory and another company will have another territory?

Mr. LICHTENSTEIN. Definitely not.

Mr. ROBINSON. Nothing along that line?

Mr. LICHTENSTEIN. Definitely not.

Mr. ROBINSON. But it is pretty generally the idea at the meetings that they will endeavor to eliminate price competition among the manufacturers, isn't that true?

Mr. LICHTENSTEIN. Yes—but nothing like that. We try to eliminate the price cutting, yes, but so far for 2½ years we have not succeeded yet.

Mr. ROBINSON. Well, what are the means that are discussed at the meeting as to how the price war shall be eliminated?

Mr. LICHTENSTEIN. Primarily it is our customers that cause us to cut prices. In other words, if we had a customer who was buying some boards, he would write us in an offer and say, "Well, from

another manufacturer we can buy this for 30 cents less. You can take it or leave it."

If you don't take it you can shut up your plant, do you know what I mean? That is what we try to eliminate.

Mr. ROBINSON. Does Mr. James—is that his name?

Mr. LICHTENSTEIN. Yes.

Mr. ROBINSON. Does he attend those meetings?

Mr. LICHTENSTEIN. Once in a while, not all the time.

Mr. ROBINSON. Isn't it primarily his job with the association to try to keep the price established?

Mr. LICHTENSTEIN. No.

Mr. ROBINSON. And eliminate price competition?

Mr. LICHTENSTEIN. No, he has been around mainly for Federal Trade; Federal Trade.

Mr. ROBINSON. He does not get into the price business at all?

Mr. LICHTENSTEIN. It is not his business.

Mr. ROBINSON. But he does discuss with the members of the industry how they can maintain the price?

Mr. LICHTENSTEIN. If he could, we would be fine, but he doesn't, he can't.

Mr. ROBINSON. That is the real purpose of the meeting, is it not?

Mr. LICHTENSTEIN. Well, we have Federal Trade work, lots of it. Practically every manufacturer has had a complaint. I have had a cease-and-desist order which we are appealing, as I stated before. Mr. James right now is filing briefs.

Mr. ROBINSON. Who is Mr. Gutterman?

Mr. LICHTENSTEIN. Who?

Mr. ROBINSON. Mr. Gutterman.

Mr. LICHTENSTEIN. Mr. Gutterman was a former salesman of ours, that is, he was not such a salesman, but a field man, that would go out and help other salesmen sell in different parts of the country.

Mr. ROBINSON. Did you have some difficulties with him?

Mr. LICHTENSTEIN. Well, we didn't have any difficulty with him, but he had difficulties himself.

Mr. ROBINSON. What was that?

The CHAIRMAN. That is M. F. Gutterman you are talking about?

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. Out in California?

Mr. LICHTENSTEIN. That is right.

It is public information, everybody knows about it, it is of record. Unbeknown to us, his position with us was to go around with our salesmen and help them sell. Well, I don't know what kind of a mix-up he got into, but after all they were indicted, about four of them, and they were acquitted, so I don't think there was much to it, according to what the newspapers played up, but we did not care for any character like that with our organization.

Mr. ROBINSON. You discharged him?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. What was he doing, or what was he charged with doing?

Mr. LICHTENSTEIN. What was he charged with? I think the charge was conspiracy.

Mr. ROBINSON. To do what?

Mr. LICHTENSTEIN. Well, conspiracy to bribe officials, I think the papers said.

Mr. ROBINSON. What was he doing so far as the punchboards were concerned?

Mr. LICHTENSTEIN. Pardon?

Mr. ROBINSON. What was he doing with respect to the punchboards?

Mr. LICHTENSTEIN. Well, he was helping another fellow sell, according to the newspapers, according to the way he told me it was——

Mr. ROBINSON. Didn't he put certain brands or seals on particular punchboards——

Mr. LICHTENSTEIN. That was in the papers.

Mr. ROBINSON (continuing). That was unmolested by the police, that were sold?

Mr. LICHTENSTEIN. That is right.

Mr. ROBINSON. Wasn't that the substance of it?

Mr. LICHTENSTEIN. That is right; and they were acquitted on that charge.

Mr. ROBINSON. That is all I have.

The CHAIRMAN. So that we can get some idea of the size of your business and also showing the decrease in the amount of business you did, Mr. Amis, one of the investigators of this committee, has conferred with you and examined certain books and records; is that correct?

Mr. LICHTENSTEIN. Right.

The CHAIRMAN. And this memorandum contains a report here that in the year 1943, your company grossed \$3,013,000, leaving off the——

Mr. LICHTENSTEIN. That was not in the punchboards.

The CHAIRMAN. In 1943?

Mr. LICHTENSTEIN. That was not punchboards.

The CHAIRMAN. What was that?

Mr. LICHTENSTEIN. That was included with leatherette; we manufactured some leatherette articles.

The CHAIRMAN. You manufactured what?

Mr. LICHTENSTEIN. We made scrap books and albums and things like that for the chain stores. That was included in the sales.

The CHAIRMAN. Well, how much of it was punchboards; do you think?

Mr. LICHTENSTEIN. I think the punchboards were about a million dollars, or a million two—something like that.

The CHAIRMAN. And the partnership income—you are Leo Lichtenstein?

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. \$187,000, and Libbe \$157,000, and B. J. \$131,000.

Mr. LICHTENSTEIN. That is right.

The CHAIRMAN. And in 1948, that seems to be the next complete year, you got down to gross sales of \$1,337,000. Did that also include something else?

Mr. LICHTENSTEIN. That included the leatherette.

The CHAIRMAN. And the partnership income, yours was \$55,000, and your wife's \$47,000, and B. J. \$39,000; is that right?

Mr. LICHTENSTEIN. Yes.

The CHAIRMAN. I notice that in 1943, where your gross income was \$3,000,000, that your net income was \$1,207,000. Is that from all your operations?

Mr. LICHTENSTEIN. That is everything; yes.

The CHAIRMAN. Your net was about 35 percent of your gross—38 percent of your gross. Isn't that pretty high?

Mr. LICHTENSTEIN. Well, on the leatherette it was high; yes. We had what is known as some sleeper items.

Mr. ROBINSON. Did you have any difficulty getting materials or supplies for punchboards during the war?

Mr. LICHTENSTEIN. During the war we had an allocation of 65 percent of our 1940 and 1941 usage.

The CHAIRMAN. What are they apt to drop you down to this year, the National Production Authority?

Mr. LICHTENSTEIN. Catch-as-catch-can. If they give you a hundred percent, you can't get 10.

The CHAIRMAN. If you what?

Mr. LICHTENSTEIN. If they gave you a hundred percent, you could not get 10 percent of materials. They are awfully scarce. All we can get material for is Government orders.

The CHAIRMAN. All right; I believe that is all, Mr. Lichtenstein. Thank you very much, sir.

Mr. LICHTENSTEIN. Do you want me to leave?

The CHAIRMAN. Yes, sir; unless you have something else you want to say.

Mr. LICHTENSTEIN. No. Anything you want to ask me, I will tell you.

The CHAIRMAN. I believe that is all.

I might announce for the benefit of the press that the committee is considering—no formal action has been taken yet by the committee, but we are considering—recommending to whoever has the power of allocation of strategic materials, that in the punchboard industry, that would be a very good place to drastically cut, if not eliminate, so that there will be more paper and other materials available for legitimate—more legitimate—operations.

The committee has not taken any formal action on the matter, but it would be my personal recommendation that that be one of the places that the NPA or the Allocation Board consider the reduction of the use of paper, or, so far as I am concerned, the elimination of the use of paper as strategic materials for other uses.

Mr. Robinson tells me that Jack Doyle of Gary, Ind., has been located and will get here tomorrow afternoon, so we will have a brief hearing at 2 o'clock tomorrow afternoon to hear Mr. Doyle.

George May, a witness we have been trying to locate for some time, from Chicago, who has a business there, and also at San Francisco, Mr. Robinson tells me that subpoenas have been put in the hands of the United States marshals at San Francisco, Los Angeles, and Chicago, also in the hands of other people designated by the committee to try to locate him.

His two attorneys have been contacted, and letters through registered mail have been sent to his four places of business or residence, and I can say also that his name has been given to the Sergeant at Arms of the Senate to help us locate him.

The committee is determined that we will locate and ask Mr. May to be brought in, and the press will again carry the fact that we are seeking Mr. May's presence before this committee.

(Following the testimony of George L. Bowers, Miami, Fla., and Joseph Friedlander, Miami Beach, Fla., which testimony is included in Pt. 1A, Florida, of the hearings of the committee, the hearing was adjourned, to reconvene at 10:30 a. m., on Saturday, February 17, 1951.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

SATURDAY, FEBRUARY 17, 1951

UNITED STATES SENATE.
SPECIAL COMMITTEE TO INVESTIGATE ORGANIZED
CRIME IN INTERSTATE COMMERCE.
Washington, D. C.

The committee met, pursuant to recess, at 10:35 a. m., in room 457, Senate Office Building, Senator Estes Kefauver (chairman), presiding.

Present: Senators Kefauver and Tobey.

Also present: Downey Rice, associate counsel; George S. Robinson, and John L. Burling, assistant counsel.

The CHAIRMAN. The committee will come to order.

Is Mr. Culbreath from Florida here?

(No response.)

The CHAIRMAN. Let the record show that this is a continuation of the hearing of yesterday, and that Senator Tobey and the chairman are present.

Mr. Rice, I believe that today, or this morning, the testimony largely relates to so-called comeback money in connection with bookie operations; is that correct?

Mr. RICE. Yes.

The CHAIRMAN. In order that we can all get sort of a broader picture and understand what we are driving at, will you make a statement about just what we mean by "comeback money," and generally how it operates before you put the witnesses on?

Mr. RICE. Well, Senator, we hope to get the real story of how comeback money operates from the witnesses, but generally comeback money is a term used for money that is sent from a betting commissioner or bookies' bookie to an agent who generally remains outside the track, at the last minute to insure his bet or to make a bet.

The effect at the track seems to be that the odds are depressed at the last moment. Lots of people notice at the track that the tote board will change at the last moment; odds will drop on a horse from 20 to 1 to 8 to 1, something like that, which means that all comeback money has just come in.

It is understood that the function of the comeback money has two effects: No. 1, it depresses the odds on a certain horse; and, No. 2, it balances the books of the man sending the money in.

It is said that when the money goes in properly, the betting commissioner does not care which horse wins; he can't lose.

Would it be helpful if I made a statement in terms of money, Senator?

The CHAIRMAN. Yes, all right. I think it would be helpful.

Mr. RICE. For instance, if a big bookie has \$20,000 worth of bets on one horse, and the horse is rated at the moment at 10 to 1, the betting commissioner stands to lose \$200,000.

He will immediately then telephone to his agent at the track, who is either in the track or nearby, and instruct him to bet about \$5,000 on the horse of the \$20,000 that he is holding.

The odds will drop from maybe 8 to 1 down to 3 to 1, and if that particular horse wins, the pay-off will be \$8 instead of \$22.

Now, in addition to the winnings that the house collects from that bet, which will help to pay off the \$15,000 worth of bets which it held, they will have all the other money on the horses, so, in effect, they have insured themselves against taking a bad beating, and have gotten into a position where they couldn't lose.

Now, the Thoroughbred Racing Protective Bureau, which is an organization that handles the protective policies for a number of the race tracks throughout the country, which are members of the Thoroughbred Racing Protective Association, has furnished a report to Senator Kefauver, chairman of the committee, and part of that report relating to comeback money reads:

A regulation contained in the RA code of standards—
that is the thoroughbred racing code of standards—

concerns comeback money. This is money which is brought to the race track by an agent for illegal bookmakers. The money is then bet at the track for two possible purposes: First, it may represent large bets which illegal bookmakers are unable to lay off among themselves, bets which no once in the bookmaking organization desires to hold. The second purpose of sending in comeback money is to reduce the odds on the horse involved so that, if it should win, the odds which the illegal bookmaker would have to pay would be considerably less than if the comeback money had not been placed. As a matter of fact, both of these elements are probably present in each and every transaction.

The Thoroughbred Racing Association regulations concerning comeback money states very specifically that "no member track of the Association shall provide or permit to be provided any convenience or facilities for the use of bookmakers, betting commissioners, their agents, or their employees. No facilities will be provided or permitted for the handling of comeback money at the track. The maintenance of credit accounts, the payment of commissions in any form, the providing of telephone or other communication services and any other form of aid to bookmakers, betting commissioners, their agents or employees, will be prohibited."

This regulation is strictly enforced by the RA member tracks, assisted by the RPB agents.

I think at this time, Senator, it would probably be wise to offer this report for the record.

The CHAIRMAN. The report of the Thoroughbred Racing Association is a very interesting one, and Mr. Drayton—who is he?

Mr. RICE. He is the director and secretary of the Thoroughbred Racing Association. He is a director of the Thoroughbred Racing Protective Bureau and the secretary of the Thoroughbred Racing Association.

The CHAIRMAN. He has been very cooperative with the committee in helping us with problems relative to the investigation of bookmaking and race tracks, and has submitted a very voluminous report, and I think they have been doing a very good job to try to keep decency, and prevent certain types of operations at race tracks among their members.

I do not think we should undertake to have this printed in the record; that can be filed as an exhibit and not printed as a part of the record, but any parts of it that are pertinent, Mr. Rice, will you have those put into the record at the proper time?

Mr. RICE. Yes.

The CHAIRMAN. Who is our first witness this morning?

Mr. RICE. Richard Remer.

The CHAIRMAN. Mr. Remer, will you come around, please, sir? You solemnly swear the testimony you give this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. REMER. I do.

The CHAIRMAN. All right; sit down, Mr. Remer.

Mr. RICE. Will you state your name for the record and your address?

TESTIMONY OF RICHARD REMER, MIAMI BEACH, FLA.

Mr. REMER. Richard Remer, 956 Euclid Avenue.

The CHAIRMAN. Mr. Remer, you are a great big man, suppose you speak up so that we can hear.

What is your address, sir?

Mr. REMER. 956 Euclid Avenue.

The CHAIRMAN. Where?

Mr. REMER. 956 Euclid Avenue, Miami Beach, Fla.

Mr. RICE. All right, sir. You were born in New York City?

Mr. REMER. That is right.

Mr. RICE. In 1900?

Mr. REMER. Right.

Mr. RICE. And sometime back you were served with a subpoena while you were at the race track at Bowie; is that right?

Mr. REMER. That is right, sir.

Mr. RICE. Now, will you tell us what you were doing at Bowie at the time that Mr. Martin and myself talked with you there?

Mr. REMER. Well, I was just waiting for an order to go to the window and make a bet on a horse, whatever the order was for; that is all I did was go in and bet on the horse.

Mr. RICE. You were waiting for an order?

Mr. REMER. That is right.

Mr. RICE. Where were you waiting?

Mr. REMER. Well, at that particular race track I was waiting at the phone in Mr. Pending's office.

Mr. RICE. Who is Mr. Pending?

The CHAIRMAN. Let us spell the name so that we can get it right.

Mr. REMER. P-e-n-d-i-n-g.

Mr. RICE. P-e-n-d-i-n-g; that is Richard Pending?

Mr. REMER. That is right.

The CHAIRMAN. Who is he?

Mr. REMER. I imagine he has got something to do with the race track. I really don't know what his official capacity is.

Mr. RICE. I am sorry, I can't hear you. What did you say he did?

Mr. REMER. I don't know what his official capacity at the race track was, but he just had a little office there with a phone that I was using.

Mr. RICE. Is he the track manager?

Mr. REMER. I would not know.

Mr. RICE. Track superintendent?

Mr. REMER. I really don't know what his position is.

The CHAIRMAN. Is that what he is, Mr. Rice?

Mr. RICE. Yes.

The CHAIRMAN. Let us get on.

Mr. RICE. Did you make some arrangement with Pending to use the telephone there?

Mr. REMER. Oh, two or three times a day, I might have to use a phone to get a call; somebody would call me to make a bet on the horse. Well, he said, "So long as you are going to bet it at the window, why, it is all right," it is all right with him.

Mr. RICE. Did you make any arrangements to pay for the use of that phone?

Mr. REMER. No; there was no payment.

Mr. RICE. No payment; just an accommodation?

Mr. REMER. Just an accommodation.

Mr. RICE. What phone was that? What was the number; do you know?

Mr. REMER. No; I don't remember offhand.

Mr. RICE. Regular Bowie telephone at the switchboard?

Mr. REMER. Right at the race track.

Mr. RICE. Bowie 2171?

Mr. REMER. Yes; that is familiar.

Mr. RICE. Now, then, you made arrangements to use the phone while the meeting was on at Bowie?

Mr. REMER. That is right.

Mr. RICE. When you first came to the track in the afternoon, what would you do?

Mr. REMER. Well, before the first race, I would walk in and see if there was a call for me, and if there was no call, why, I would wait for the next race, and so on.

Mr. RICE. If there was a call, what would happen?

Mr. REMER. Then I would just get an order to make a bet on a certain horse in a certain amount, and whatever it was.

Mr. RICE. Well, now, who would you call or who called you?

Mr. REMER. Well, it was a call from my office.

Mr. RICE. Where was that?

Mr. REMER. In Cincinnati.

Mr. RICE. In Cincinnati? Who would call you from Cincinnati?

Mr. REMER. Well, sometimes it would be Mr. Rosenbaum, sometimes it would be one of the clerks in the office.

Mr. RICE. Which Mr. Rosenbaum would that be?

Mr. REMER. Mr. Louis Rosenbaum.

Mr. RICE. Mr. Louis? Sometimes it would be who else?

Mr. REMER. Some other clerk there; I didn't know his name.

Mr. RICE. Some other clerk?

Mr. REMER. Yes.

Mr. RICE. Now, then, Louis Rosenbaum would call you before the first race, and what would he tell you?

Mr. REMER. Well, he would tell me different things at different times. He would tell me to bet a certain amount.

Mr. RICE. Give us an illustration.

Mr. REMER. To bet \$2,500 or \$1,000, \$1,500, or whatever it was.

Mr. RICE. He would tell you to bet \$1,000, \$1,500, or \$2,500, across the board or win, place, and show on a certain horse?

Mr. REMER. Yes.

Mr. RICE. Did he ever tell you to bet more than one horse in the race?

Mr. REMER. Sometimes two horses.

Mr. RICE. Would he bet the daily double?

Mr. REMER. Very seldom; maybe once in a while.

Mr. RICE. Where did the money come from that was used—I take it, then, you would follow instructions, go into the betting ring?

Mr. REMER. That is right.

Mr. RICE. And do something. Where did you get the money to make the bet with?

Mr. REMER. Well, it was wired to me.

Mr. RICE. We wired it to you?

Mr. REMER. Yes.

Mr. RICE. And that came by Western Union?

Mr. REMER. Western Union.

Mr. RICE. Where would it be delivered to you?

Mr. REMER. Either at the hotel that I was staying at—

Mr. RICE. Wherever you were staying?

Mr. REMER. That is right.

Mr. RICE. That would be a money order by Western Union coming directly to you in your name?

Mr. REMER. That is right.

Mr. RICE. Who would be the sender?

Mr. REMER. Mr. Louis Rosenbaum.

Mr. RICE. Rosenbaum?

Senator TOBEY. May I ask a question? Would the telegram sending the money just merely say "Pay to Mr. Remer \$4,000," nothing else?

Mr. REMER. That is right; that is all.

Senator TOBEY. But the instructions for betting came over the telephone; the money was sent by Western Union?

Mr. REMER. That is right; that is exactly true.

Senator TOBEY. Excuse me.

Mr. RICE. Now, you would get instructions to go to the window. Would you actually place the money? Would you buy a ticket?

Mr. REMER. I would always get tickets for it, sure.

Mr. RICE. At Bowie?

Mr. REMER. Yes.

Mr. RICE. You would always get tickets. Would you get money for the tickets?

Mr. REMER. In some cases we would leave money with the cashier, so we would not have to go in and out of the race track with that money in our pockets, but at the end of the day we would figure it out.

Mr. RICE. Arrangements were then made either at the beginning or at the end of the day, you would leave a substantial amount with the cashier of the track, whose name is Copley or something like that?

Mr. REMER. Yes; I think that was the name.

Mr. RICE. And he was the cashier. You would leave how much money with him?

Mr. REMER. Well, it depends on whatever I had, whatever I had; sometimes four, three thousand dollars.

Mr. RICE. Four or five thousand dollars?

Mr. REMER. Yes.

Mr. RICE. He was the cashier; he did not sell tickets?

Mr. REMER. No; he did not sell them; he used to just cash.

Mr. RICE. But if you left the money with the cashier, he is down at one window, and you would go to another ticket window. What would you do, get that ticket?

Mr. REMER. He would know how much money I had; he would know between races how much money I had on deposit.

Mr. RICE. You mean there were two clerks; one would sell the tickets, and one cashier, and they worked together on it?

Mr. REMER. That is right.

Mr. RICE. Would you give them a slip, would you give them the slip, give the selling clerk a slip?

Mr. REMER. I would give him a slip and take it back to the cashier, and he would either deduct or add to.

Mr. RICE. What would be on the name of the slip?

Mr. REMER. Just the number and the name of the horse.

Mr. RICE. On the program, the number and amount and your initials?

Mr. REMER. That is right.

Mr. RICE. At the end of the day, how would you settle up?

Mr. REMER. Well, we would check out, and if the amount was right, why, then, that is the way we worked——

Mr. RICE. You would check with the cashier?

Mr. REMER. That is right.

Mr. RICE. And suppose you had money left over, what would you do?

Mr. REMER. Well, if it was too much of an amount I would leave it in there with him. If it was just a small amount I would take it back with me.

Mr. RICE. You would leave it over for the next day. And if it cleaned you up, you would take a small amount, and replenish it the next day?

Mr. REMER. That is right.

Mr. RICE. How about at the end of the meeting?

Mr. REMER. At the end of the meeting, whatever was left, I took it out of there, and used it at the next meeting, wherever I went there.

Mr. RICE. How long have you been operating? You call yourself a come-back man; is that all right for me to call you that?

Mr. REMER. Yes; it is all right for you to call me that.

Mr. RICE. How long have you been a come-back man?

Mr. REMER. About 2 years.

Mr. RICE. For 2 years? Have you worked all that time for Rosenbaum?

Mr. REMER. Yes.

Mr. RICE. And you have been steadily employed as a come-back man?

Mr. REMER. I will say about 30 weeks out of the year.

Mr. RICE. About 30 weeks out of the year.

Now then, how many tracks have you worked at? What are the tracks that you work at in your swing?

Mr. REMER. Oh, I imagine about eight, seven or eight of them.

Mr. RICE. About seven or eight? What are they?

Mr. REMER. Well, there are all the three Maryland tracks, there is Laurel, Pimlico, and Bowie.

Mr. RICE. Yes.

Mr. REMER. Then, we had Havre de Grace—that is four Maryland tracks; Atlantic City, Monmouth Park—that is six. That is about all. Just those.

Mr. RICE. Now, then, didn't you go to Charles Town at one time?

Mr. REMER. No, I didn't go to Charles Town.

Mr. RICE. Did you start to go there?

Mr. REMER. Too cold.

Mr. RICE. Are you sure it was cold or was it heat? [Laughter.]

Mr. REMER. It is a little cold; it was in December, it was too cold.

Mr. RICE. It was also right after you were served with a subpoena, too, was it not?

Mr. REMER. That is right.

Mr. RICE. That you did not go.

At any of these other tracks that you have mentioned, have you had arrangements inside the track enclosure to use a telephone?

Mr. REMER. Well, the first year at Atlantic City for a couple of weeks they allowed it, and then they stopped it.

Mr. RICE. After that you were not permitted to do that?

Mr. REMER. No.

Mr. RICE. What did they tell you?

Mr. REMER. Well, they just—they didn't give me any reason.

Mr. RICE. Just that you cannot do it any more?

Mr. REMER. That is right.

Mr. RICE. At these other tracks, how do you operate?

Mr. REMER. We find a phone as close to the race track as we can, and use that.

Mr. RICE. You find a phone as close to the race track as you can and use that. Is it your job to find the phone?

Mr. REMER. Yes.

Mr. RICE. What arrangements do you make on the phone? Is it in a private house or gas station?

Mr. REMER. Mostly private homes or gas stations.

Mr. RICE. Any place you can make arrangements?

Mr. REMER. The closest one you can find.

Mr. RICE. Suppose it is a private home; what arrangements do you make with the person?

Mr. REMER. Don't make any—just tell them I will give them a little present, or something like that, for the use of it.

Mr. RICE. You will give them a little present, about \$10 a day, or something like that?

Mr. REMER. It runs differently at times.

Mr. RICE. What is the most?

Mr. REMER. That is the most we ever pay.

Mr. RICE. Around \$10 a day?

Mr. REMER. Yes.

Mr. RICE. You pay that, then, out of your bank roll and charge that as an expense?

Mr. REMER. That is right.

Mr. RICE. And you are paid a salary?

Mr. REMER. Yes, sir.

Mr. RICE. Weekly?

Mr. REMER. Yes, sir.

Mr. RICE. I take it you draw your salary and expenses and settle up over the telephone with Rosenbaum?

Mr. REMER. That is right.

Mr. RICE. You do not receive a check?

Mr. REMER. No.

Mr. RICE. How about what they call the deducts, the withholding in there, social security and unemployment insurance?

Mr. REMER. We have that; I got a copy of mine with me right here.

Mr. RICE. You have got your deducts with you?

Mr. REMER. Yes.

Mr. RICE. That is your withholding statement?

Mr. REMER. Yes; I just got that.

Mr. RICE. The witness has produced a withholding statement for 1950, indicating his address as 737 Jefferson Avenue, Miami Beach, Fla.

Mr. REMER. That is the same thing, only they forgot to change the address on it. I have been living there about a year.

Mr. RICE. It is an old address?

Mr. REMER. Yes.

Mr. RICE. And under the heading "Employer" it reads "Louis David and Harry Rosenbaum, 5707 Vine Street, Cincinnati 16, Ohio." I will offer this—

Mr. REMER. Can I have it back?

Mr. RICE. You might need this.

Mr. REMER. Yes; I have got to send it in.

(The document was returned to the witness.)

Mr. RICE. Now, in going to these various tracks that you make on a swing throughout the year, what is your weekly salary?

Mr. REMER. It runs about \$100 a week.

Mr. RICE. Runs about \$100 a week, more or less?

Mr. REMER. Well, when I am away from home, why then, I use that up, the difference I use up for expense; I get a little extra for expenses.

Mr. RICE. You get a little extra for expenses? Is that a set figure?

Mr. REMER. No; it is different in every other town.

Mr. RICE. It depends on how much it costs you to live. Do you get an allowance for an automobile?

Mr. REMER. Yes.

Mr. RICE. You get an allowance for tickets to go into the track?

Mr. REMER. Yes.

Mr. RICE. Programs?

Mr. REMER. Yes.

Mr. RICE. Whether you go in or not?

Mr. REMER. That is right.

Mr. RICE. And for your telephone, telegraph, and—

Mr. REMER. That is right.

Mr. RICE. How about your meals?

Mr. REMER. Well, I don't charge for the meals, no; I just charge for those other incidental expenses that you just mentioned, those things.

Mr. RICE. What would you say your average weekly expenses run while you were operating in an operation where you are outside of the track?

Mr. REMER. Oh, including the salary and all, you mean?

Mr. RICE. No; your expenses, over your salary per week.

Mr. REMER. I imagine about \$150 or \$200 a week.

Mr. RICE. So that over your \$100 salary you run from \$100 to \$200 a week?

Mr. REMER. No; \$150 to \$200 a week extra.

Mr. RICE. Yes.

Now, in your experience as a come-back man have you ever had a winning meeting?

Mr. REMER. I don't think so.

Mr. RICE. You do not think you have ever had a winning meeting?

Mr. REMER. No.

Mr. RICE. So it is a constantly losing proposition, is it?

Mr. REMER. Let me straighten you out on one thing about this dropping of the price of a horse. You realize that every time we bet on a horse there is another horse in the same race that the price goes up on. You understand that. I mean, the public is getting an increase on the other horses, too; I mean, just the one horse doesn't drop, and the others stay there. As one horse drops the other horses go up, you know.

Mr. RICE. Unless they happen to be holding the tickets on the same horse that you have.

Mr. REMER. That is true, but there is a possibility that they are holding a ticket on the other horse that the price goes up on.

Mr. RICE. Well, we appreciate that. But let us get back to the winning and losing. What would you say on a 10-day meeting would be the loss that Rosenbaum would have?

Mr. REMER. Well, I never really kept track of it, but I know really one thing, all I know is I get money all the time; I never send any money back.

Mr. RICE. You never send any back; it just keeps coming in all the time.

What would you say at a track bigger than Bowie where the handle is bigger than Bowie, what would be your average day's play?

Mr. REMER. Well, it varied so much; some days we didn't get a bet all day long, and other days we might have four or five bets in one day. I really never kept track of it.

Mr. RICE. What is the biggest bet you ever handled on a single race?

Mr. REMER. Oh, I have bet as much as \$2,500 on the race.

Mr. RICE. As much as \$2,500; then did you tell me that you would bet more than that on across-the-board race?

Mr. REMER. Well, we don't bet very seldom across the board; it is just most of the time just to win.

Mr. RICE. Would you bet as much as \$2,500 on a eight-race program, on each race?

Mr. REMER. You mean every race?

Mr. RICE. Yes.

Mr. REMER. No; I don't think so. It is very unusual that we bet that much. The average bet runs between \$500 and \$1,000; sometimes \$200, it varies. There is quite——

Mr. RICE. Now, on an average 10-day meeting, how much money would you say that Rosenbaum would have to send you to keep you in business?

Mr. REMER. Ten-day meeting?

Mr. RICE. At a big track.

Mr. REMER. Oh, I will say six or seven thousand dollars.

Mr. RICE. Six or seven thousand dollars you would lose in 10 days?

Mr. REMER. Yes.

Mr. RICE. That was over a 10-day meeting?

Mr. REMER. Yes; over a 10-day meeting. That is just approximate. I mean, I just don't know for sure.

Mr. RICE. It would be interesting to know how you got into the business. How were you trained and learned how to do it?

Mr. REMER. Well, I just was around the race track all the time, and I——

Mr. RICE. You were just around the race track, you say?

Mr. REMER. That is right.

Mr. RICE. What happened then?

Mr. REMER. And then I seen how this thing worked, and talked to a fellow who was doing it, and he suggested that I help him, and I did, and then I did it on my own, that is all.

Mr. RICE. Who was that fellow?

Mr. REMER. Well, now, you got me. All I know him is by the name of Archie; I don't know his last name.

Mr. RICE. Did you ever meet a man by the name of Cogan?

Mr. REMER. Mr. Cogan is in this business here with us, too; he is here now, and he taught me; I mean he explained how to do it, and I just handled it myself.

Mr. RICE. Is it Cogan who is here today, is he the fellow you are talking about?

Mr. REMER. Yes.

Mr. RICE. And isn't he the man who broke you in a little bit?

Mr. REMER. No; he didn't break me in, but he was doing it at the same time I was at different race tracks.

Mr. RICE. At different tracks?

Mr. REMER. Yes; at different race tracks.

Mr. RICE. Yes; but for the same boss.

Mr. REMER. Yes.

Senator TOBEY. Did you have to take an aptitude test?

[Laughter.]

Mr. REMER. I don't know as I did or not. I don't think it requires very much for something like that; just follow orders.

Senator TOBEY. These telephone calls that you received, sir, and probably the question is not germane, but I ask you, when those who are serving the Senate put in calls with respect to anything of importance to constituents in matters of legislation, we often have to wait for calls, 5, 10, 20 minutes, half an hour, while the operators are getting them, but apparently in this business you are in, it is almost instant communication with you and the people calling you.

Mr. REMER. No; sometimes it takes a long time to get through, and then sometimes it gets through when it is too late; they get through, and the race is over already.

Senator TOBEY. Do they take a wire and put in a call to hold it open by arrangement with the operator, so that you have practically a continuously open line there?

Mr. REMER. No; I don't think it is worked that way.

Senator TOBEY. What?

Mr. REMER. I don't think it is worked that way. I think it is put through the regular channels.

Senator TOBEY. Why don't you hamstring yourselves and cut your own hearts out by not getting the call through in time in a particular race?

Mr. REMER. It does happen at times that you get the call too late. By the time you get a call the race has already started.

Senator TOBEY. Do you use radio or teletype?

Mr. REMER. No, sir; nothing at all, just the phone.

Mr. RICE. How did you get in touch with Rosenbaum originally?

Mr. REMER. Through this party who introduced me over the phone.

Mr. RICE. What party is that?

Mr. REMER. This fellow Archie.

Mr. RICE. What is Archie's name?

Mr. REMER. I don't know. Maybe Mr. Rosenbaum will know it when you talk to him.

Mr. RICE. I imagine he does. You do not know?

Mr. REMER. I don't.

Mr. RICE. Archie introduced you to Rosenbaum over the phone?

Mr. REMER. That is right.

Mr. RICE. Where were you calling to then?

Mr. REMER. Well, when I talked to him, then I went to another race track. I met him in New York. It was in New York at the time that I met him, and then I went to New Jersey.

Mr. RICE. Who did you meet in New York?

Mr. REMER. This fellow Archie.

Mr. RICE. You met Archie in New York?

Mr. REMER. Yes.

Mr. RICE. When did you meet Rosenbaum?

Mr. REMER. I just met him through over the phone; he spoke to me and told me to go to New Jersey and sent me the money to go there.

Mr. RICE. He sent you money to go to Jersey, and put you in business by hiring you over the telephone?

Mr. REMER. That is exactly right.

Mr. RICE. Now, when did you first meet Rosenbaum?

Mr. REMER. I met him during the winter of last year.

Mr. RICE. Where was that?

Mr. REMER. In Miami.

Mr. RICE. Was that the only time you have seen him?

Mr. REMER. That is the only time I saw him.

Mr. RICE. What took place in Miami when you met him?

Mr. REMER. I was not working in Miami.

Mr. RICE. You were not what?

Mr. REMER. I was not working in Miami.

Mr. RICE. You were not working, you met him, though?

Mr. REMER. Yes.

Mr. RICE. What took place?

Mr. REMER. Nothing. It was just—we introduced ourselves, and that is all; then he told me that when they opened up next year that I would work for him again next year.

Mr. RICE. I see.

Mr. REMER. That is this past year that went by.

Mr. RICE. Have you ever been to Cincinnati?

Mr. REMER. No.

Mr. RICE. Never been in the operation there?

Mr. REMER. No, sir.

Mr. RICE. I notice that you were calling from Bowie, you were calling an Axtell number in Cincinnati?

Mr. REMER. Yes.

Mr. RICE. Where did you get that number?

Mr. REMER. Well, during the course of the conversation he would tell me what number to call in case I ever needed him if anything went wrong, and he did not get on or something like that, to always to call back and verify——

Mr. RICE. Well, the number is Axtell 1485 or 1495, which was it?

Mr. REMER. 1495.

Mr. RICE. 1495.

Do you know where that number is located, and who it is listed to?

Mr. REMER. No, I don't. I have never been to Cincinnati.

Mr. RICE. When you make the call you call Axtell 1495, and say Cincinnati, Covington, Newport, or what?

Mr. REMER. I say Cincinnati.

Mr. RICE. Cincinnati? It is actually across the river, is it not?

Mr. REMER. I don't know; I have never been there.

Mr. RICE. Don't you tell the operator to——

Mr. REMER. Yes, she gets it through Cincinnati; I always ask for Cincinnati, and I get it.

Mr. RICE. You ask for Cincinnati.

Now, I have a record here of some of the calls you made one day that may be interesting. These are made from Forest 1946 in Baltimore. What were you doing there?

Mr. REMER. That is for the Pimlico meeting.

Mr. RICE. That is Pimlico, is it? Is that in the track?

Mr. REMER. Right near the race track.

Mr. RICE. Right near the track? What place is that?

Mr. REMER. That is a private home.

Mr. RICE. Right near the track, a private home? Whose home is it?

Mr. REMER. It is Mrs. Knisley.

Mr. RICE. How do you spell that?

Mr. REMER. K-n-i-s-le-y.

Mr. RICE. What arrangements did you make with Mrs. Knisley?

Mr. REMER. Well, I was to pay her, you know, give her a gift when I got through at the end of the meeting, and give her a little money for the use of the phone.

Mr. RICE. I see. What is her address, do you know, what street?

Mr. REMER. Yes, I can tell you, I think I have got it here; I don't have her address, then.

Mr. RICE. Do you remember what street it was?

Mr. REMER. It is the street that faces the race track.

Mr. RICE. The street that faces the old Pimlico track?

Mr. REMER. That faces the old Pimlico Race Track.

Mr. RICE. Now, I see that you called Axtell 1495 on November 11; that is when they were running at Pimlico.

Mr. REMER. Yes.

Mr. RICE. At 1:16 p. m., 1:44 p. m., 2:12 p. m., 2:44 p. m., 3:10 p. m., 3:40 p. m., 4:10 p. m., and 4:41 p. m.—eight times.

Mr. REMER. Well, for every race, once for every race.

Mr. RICE. Once for each race, and you make all of your telephone calls collect?

Mr. REMER. Yes.

Mr. RICE. Now then, tell us whether you prefer to work with the track management or outside the track on the proposition.

Mr. REMER. Well, it is better to work as close as you possibly can; if you can get anything in the race track or right in the race track, it is preferable, but it is not easy to do that.

Mr. RICE. Why?

Mr. REMER. Just to save the time.

Mr. RICE. Save the time?

Mr. REMER. Yes.

Mr. RICE. How about handling the money? Doesn't it help you to be able to put the money up with the cashier?

Mr. REMER. Yes, because it is——

Senator TOBEY. Did you ever slip these men some money on the side to get that favor?

Mr. REMER. Well, I would make them a little gift.

Senator TOBEY. In other words, to get the favor of the special privilege of doing business you would give them something in cash?

Mr. REMER. Yes.

Senator TOBEY. You buy them, in other words?

Mr. REMER. Well, it is not a question of that; it is just for the services rendered.

Senator TOBEY. You grease the palms, you grease the wheels, you get results by passing out money.

Mr. REMER. All they do is just hold the money for me.

Senator TOBEY. How much do you pay these fellows for this privilege?

Mr. REMER. Well, it varies at times; sometimes \$20, \$25 for the meet.

Mr. RICE. Well, as a matter of fact, you prefer to keep the money there to keep from being highjacked, do you not?

Mr. REMER. That is the main reason for it.

Senator TOBEY. It is really insurance, is it not?

Mr. REMER. It is insurance, but if anybody would try to hold me up they would not get that much money.

Senator TOBEY. No one would try to hold a man up on the race track, would they?

Mr. REMER. No; but if I had to carry it out of the race track; I don't mean in the race track.

Senator TOBEY. Have you ever been held up?

Mr. REMER. No, sir.

Senator TOBEY. Do you carry a gun?

Mr. REMER. No, sir.

Mr. RICE. When you operate outside of the track, does it become necessary sometimes to hire another employee to work with you?

Mr. REMER. Yes, it does.

Mr. RICE. What is his function?

Mr. REMER. Well, just as an assistant, I mean, in order to save time, when I get an order in case they might have another order, why, I just send him in with the first one. Then if we have another one, then I take it in. Sometimes we bet two or three different horses in one race.

Mr. RICE. Is it a matter of split-second timing, your getting it over the telephone and sending your runner over to the window at the very last moment?

Mr. REMER. Yes.

Mr. RICE. When you have an employee like that, do you hire him?

Mr. REMER. Yes. I just take him on my own to help me.

Mr. RICE. You take him on your own, and what you pay him you charge in as expense, too?

Mr. REMER. Yes.

Mr. RICE. I see, and you telephone your expense in to Rosenbaum daily or weekly?

Mr. REMER. That is right.

Mr. RICE. Well, now, at any other track besides Bowie, have you had an arrangement with the cashier or with the track office to use the telephone or the cashier's window?

Mr. REMER. Well, we did have it for a while, and then later on they told us not to. At first they allowed it, and then later on after a short period they said it would be best not to leave it with them; they didn't want to bother with it.

Mr. RICE. So that so far as you know—where was that other track?

Mr. REMER. Well, practically all race tracks.

Mr. RICE. Practically all? They used to do it and now they have all shut down, except Bowie, is that it?

Mr. REMER. Well, I guess Bowie is shut down, too. They held it up to the last minute.

Mr. RICE. I am going to show you a photostatic copy of a Western Union money order dated November 22, 1950, payable to Dick Remer in the amount of \$4,000, telegraphed from Cincinnati, Ohio, on November 22, 1950, and bearing on the back writing, and I will ask you if you recognize that [handing document to witness].

Mr. REMER. Yes, it looks like one that was sent to me.

Mr. RICE. That is your name on the back, the endorsement?

Mr. REMER. Yes.

Mr. RICE. And that, then, is one of the money orders that you received?

Mr. REMER. That is right.

The CHAIRMAN. Let that be exhibit No. 7.

(The document referred to was marked "Exhibit No. 7," and is on file with the committee.)

Mr. RICE. I show you a second document, dated the same date, November 22, 1950, payable to Dick Remer at Bowie, Md., race track; name of sender Rosey, and sender's full name Louis Rosenbaum, and I ask you if that relates to the same transaction [showing document to witness].

Mr. REMER. This evidently was sent from Cincinnati; is that right?

Mr. RICE. Yes.

Mr. REMER. Well, I would not know anything about this.

Mr. RICE. From this you got \$4,000 that day, didn't you?

Mr. REMER. Yes; that must be the same thing.

Mr. RICE. That is the same thing. You called Rosenbaum "Rosey"?

Mr. REMER. Yes; for short.

Mr. RICE. That is Louis you are talking about?

Mr. REMER. Yes.

The CHAIRMAN. Let the other be exhibit No. 8.

(The document referred to was marked "Exhibit No. 8," and is on file with the committee.)

The CHAIRMAN. Is there anything else, Mr. Rice?

Mr. RICE. While you were at Bowie, were you conscious of the activities of other contact men there? Did you know there were other men there?

Mr. REMER. Well, I suppose there were other ones there. I suppose there were.

Mr. RICE. As a matter of fact, you know; you know Norman Helwig, don't you?

Mr. REMER. Yes.

Mr. RICE. Was he there?

Mr. REMER. He was.

Mr. RICE. Who did he operate for?

Mr. REMER. Well, I really don't know for sure; I would not want to say on that.

Mr. RICE. What is the scuttle butt on that; what is the rumor on that?

Mr. REMER. Well, the rumor was that he was working out of St. Louis.

Mr. RICE. St. Louis?

Mr. REMER. Yes.

Mr. RICE. How about the fellow from Kingston?

Mr. REMER. He was there, too.

Mr. RICE. Who was that, Arthur Arnold?

Mr. REMER. No, I don't think that was his name.

Mr. RICE. Who was the fellow working from Kingston?

Mr. REMER. I really don't know his name. I know him when I see him; he is a big stocky fellow, but I don't know his name.

Mr. RICE. Were they using the same telephone you were using?

Mr. REMER. No.

Mr. RICE. They were using another one in the office there, weren't they?

Mr. REMER. Not in the same office that I was in.

Mr. RICE. But it was working off the switchboard, was it not?

Mr. REMER. It is possible.

Mr. RICE. Who is the fellow up in Kingston, is his name Monis or something like that?

Mr. REMER. I think so, I am not sure now; this is all hearsay.

Mr. RICE. Kingston, N. Y.

Mr. REMER. Yes, Kingston, N. Y.

Mr. RICE. Yes. So that you had some one there from St. Louis. Was that the Carroll-Mooney outfit?

Mr. REMER. I imagine so.

Mr. RICE. And the Monis' outfit from Kingston?

Mr. REMER. Yes.

Mr. RICE. Anybody else? Erickson?

Mr. REMER. I don't know.

Mr. RICE. Dobkin?

Mr. REMER. If they were there, I don't know; they may have been, I am not sure.

Mr. RICE. They could have been?

Mr. REMER. That is right.

The CHAIRMAN. All right.

Mr. RICE. Maybe we can straighten out on one thing.

I notice, according to the information, that the cashier was not Copley; that was the seller. The cashier was a fellow by the name of Tufano at Bowie; is that right, something like that?

Mr. REMER. I thought he was the cashier, Copley.

Mr. RICE. Copley was at window 101, the \$100 window.

Mr. REMER. At the \$50 window.

Mr. RICE. \$50 window?

Mr. REMER. I may be wrong with the names; I am not sure of the names.

Mr. RICE. One or the other?

Mr. REMER. Yes.

The CHAIRMAN. All right. Senator Tobey?

Senator TOBEY. You testified that you only met Mr. Rosenbaum once, and that was down in Florida?

Mr. REMER. That is right.

Senator TOBEY. And you were not then working for him; is that right?

Mr. REMER. I worked for him the year previous, the summer previous, and then I met him that winter.

Senator TOBEY. When you went to work for Mr. Rosenbaum you did not know much about him, did you?

Mr. REMER. No; I didn't.

Senator TOBEY. He is a big operator, somebody told you?

Mr. REMER. That is right.

Senator TOBEY. Did you look him up in Dun & Bradstreet?

Mr. REMER. No; I didn't.

Senator TOBEY. You took it all on faith?

Mr. REMER. I did.

Senator TOBEY. I think, Mr. Chairman, I may say that this is rather a remarkable dissertation on the high ethics of the business. Here is a man who deals in large sums of money, employs an agent he met but once; no bond is given, but there is that mutual confidence and faith which is one of the outstanding characteristics of American business life.

Sir, have you ever heard of the operation known as the "scalp" in horse racing?

Mr. REMER. That is a new name for me.

Senator TOBEY. You never heard that?

Mr. REMER. No; I didn't.

Senator TOBEY. What would it indicate to you, taking the top off?

Mr. REMER. Well, that is the way it would indicate.

Senator TOBEY. Have you ever heard that expression used?

Mr. REMER. Scalp!

Senator TOBEY. The "scalp," yes.

Mr. REMER. No; I never did.

Senator TOBEY. That is all; thank you.

The CHAIRMAN. You did not know whether this Rosenbaum outfit is a corporation, or a partnership, or what?

Mr. REMER. No; I don't.

The CHAIRMAN. All you know about it is what your withholding statement shows?

Mr. REMER. That is right.

The CHAIRMAN. What do you do in between times when the meetings are not on?

Mr. REMER. Well, I am employed practically the biggest part of the year, and then I just try to do—I stay around the race track and try to bet?

The CHAIRMAN. Try to do what?

Mr. REMER. I try to make a living for a couple of months, you know, that I am off of work.

The CHAIRMAN. What do you try to make a living at, what doing?

Mr. REMER. Pick a horse and bet on it sometimes.

Senator TOBEY. You love horses?

Mr. REMER. Yes; I do.

The CHAIRMAN. You mean, during the time when no meets are on, you do what, stay around the race tracks?

Mr. REMER. Yes.

The CHAIRMAN. Well, there are no horses running, are there?

Mr. REMER. Well, they are in Miami; yes. That is my home down there.

The CHAIRMAN. So the meets are going on somewhere most all of the time?

Mr. REMER. All of the time.

The CHAIRMAN. And you go from one track to another?

Mr. REMER. That is right.

The CHAIRMAN. The east coast or the west coast?

Mr. REMER. No; I have never been to the west coast, just to the east coast.

The CHAIRMAN. Just the east coast. You go to the track, do you, at New Orleans?

Mr. REMER. No.

The CHAIRMAN. Just the east coast.

When you were doing this come-back money business, did you make bets of your own?

Mr. REMER. Very, very rarely.

The CHAIRMAN. Very rarely.

I suppose, Mr. Remer, that every big commissioner has to have a come-back man at the tracks; is that correct?

Mr. REMER. Yes; I imagine they would. It is part of their business to have somebody.

The CHAIRMAN. How many do you estimate there are at a good-sized track, at a big meet, doing the same thing that you are doing?

Mr. REMER. Well, I don't know for sure. I would say four or five anyway.

The CHAIRMAN. Mr. Rosenbaum is the only person you have ever worked for at this kind of business; is that correct?

Mr. REMER. No. The year before that I worked for another man out of Miami, but he was just on a very small scale.

The CHAIRMAN. Who was that?

Mr. REMER. A fellow by the name of Bennie Kay.

The CHAIRMAN. When you have a confederate, somebody working with you, does he take the phone call and then tell you through the fence what to do, and then you go make the bet?

Mr. REMER. Sometimes we work that way. We try to work it the fastest we can.

The CHAIRMAN. Whatever the best system you can work out, that is the way you work?

Mr. REMER. That is right.

The CHAIRMAN. When you work it yourself—that is, when you go out to some house outside and then come back in and make a bet—do you have to pay a ticket or buy a ticket every time you come and go, or do you get a pass in and out?

Mr. REMER. No; we always buy a ticket the first time we come in, and then use—

The CHAIRMAN. Then you have the pass, so that you can go outside.

Mr. REMER. Yes.

The CHAIRMAN. Don't they get suspicious of your running in and out of the track?

Mr. REMER. No; I think most of them have an idea what we are doing; I don't think it is a question of trying to hide anything.

The CHAIRMAN. Don't you sort of give the attendant at the gate a little present, too?

Mr. REMER. No. We just buy a ticket and use our pass out. You know, we get an O. K.

Senator TOBEY. Senator Kefauver spoke about looking through the fence. Is that a knothole in the fence?

Mr. REMER. Oh, no.

Senator TOBEY. What does he mean?

Mr. REMER. It is just like if we have a distance to run, you know, we have to get there pretty quick; I would go half of the way and then hand the program to somebody standing inside of the race track.

The CHAIRMAN. Well, sometimes don't you have a signal system so that he can signal you about how much to bet?

Mr. REMER. No; I never worked with any signal system.

The CHAIRMAN. You never worked that way? All right. Is there anything else?

Mr. RICE. Yes. When you are talking to Rosenbaum on the phone before each race, do you tell him the results of the previous race, or track conditions

Mr. REMER. No.

Mr. RICE. Changes in jockeys?

Mr. REMER. I don't call him until about 5 minutes before the race is run. By that time they evidently have the results already, long before that.

Mr. RICE. He is not interested in that. How does he get his information about it?

Mr. REMER. I really don't know it.

Mr. RICE. He gets it over the wire?

Mr. REMER. I don't know.

Mr. RICE. There is one other thing that I think probably the public would be interested in. When you come-back fellows go up to the window don't you find that frequently there are a number of track bettors that are trying to get the information from you about what number you are going to bet on?

Mr. REMER. That is true; yes. They all want to bet on the same horses.

Mr. RICE. They all want to bet on the same horse?

Mr. REMER. That is right.

Mr. RICE. They think that is going to be smart money?

Mr. REMER. That is right.

Mr. RICE. So that they try to get acquainted with you and find out what horse you are betting on?

Mr. REMER. Well, they don't try to exactly get acquainted but try to hear the horse that you are betting on, but it doesn't do them too much good.

Mr. RICE. And you tell them and they run up to the window and bet, too, on the same horse?

Mr. REMER. That is right.

Mr. RICE. And they don't understand that each and every week that you operate you are losing money?

Mr. REMER. Well, they think that we are making money with these horses.

Mr. RICE. They think you are making money?

Mr. REMER. Yes.

Mr. RICE. Well, it might be well to straighten out. [Laughter.]

The CHAIRMAN. Do you encourage them also to bet on the horse that you are betting on?

Mr. REMER. No. Half the people I don't even know who they are, I mean.

The CHAIRMAN. You tell them rather easily what horse you are betting on?

Mr. REMER. I try not to even bother telling them, but they try to get close to you, you know, when you are making a bet, and watch the tickets and everything else.

The CHAIRMAN. But did Mr. Rosenbaum tell you sometimes that \$2,500 should be bet on No. 8 or \$2,000, provided you see some other people following your lead getting bets of \$500?

Mr. REMER. No, nothing like that.

Senator TOBEY. Have you ever thought through your race-track experience, which has been very general, as you have told us here, that such things as fixing horses or fixing jockeys take place?

Mr. REMER. Well, personally, I really don't think those things happen but, of course, you read about a lot of things like that, but I really don't think anything like that happens around the race tracks.

Senator TOBEY. Don't they make frequent saliva tests to see if the horse has been doped?

Mr. REMER. Of course, that is, the individual trainer, and if he wants to take a chance of doing something like that, he is doing it on his own, but I don't think that anybody knows about those things. Of course, I really don't know. I would not want to——

The CHAIRMAN. All right, that is all, Mr. Remer. Thank you.

Mr. RICE. Mr. Fred Cogan.

The CHAIRMAN. Mr. Cogan, do you solemnly swear the testimony you give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. COGAN. Yes, sir.

The CHAIRMAN. Now, we have the general picture, so let us get down to the essential points with this witness.

Mr. RICE. Your name is Fred Cogan?

TESTIMONY OF FRED COGAN, NEW ORLEANS, LA.

Mr. COGAN. Yes, sir.

Mr. RICE. Where do you live, Mr. Cogan?

Mr. COGAN. 1514 Mandolin, New Orleans.

Mr. RICE. 1514 Mandolin Street, New Orleans?

Mr. COGAN. Yes, sir.

Mr. RICE. Where were you when you received a subpoena?

Mr. COGAN. At New Orleans.

Mr. RICE. At the Fair Grounds track?

Mr. COGAN. Yes, sir.

Mr. RICE. What were you doing?

Mr. COGAN. I had just made a bet.

Mr. RICE. You had just made a bet? And you received a subpoena along with the results; is that it?

Mr. COGAN. Yes, sir.

Mr. RICE. Tell us about your operation as quickly as you can, Mr. Cogan; who you worked for and how you got into the business.

Mr. COGAN. What do you mean?

Mr. RICE. Who are you working for?

Mr. COGAN. I work for Mr. Rosenbaum.

Mr. RICE. You are working for Louis Rosenbaum?

Mr. COGAN. Yes, sir.

Mr. RICE. How long have you been doing that?

Mr. COGAN. About a year and a half.

Mr. RICE. About a year and a half? What did you do before that?

Mr. COGAN. I was in the construction business.

Mr. RICE. I see.

Now, then, how did you get into business with Louis Rosenbaum?

Mr. COGAN. I went out of business and I met Mr. Rosenbaum socially, and I asked him if he had a job for me.

Mr. RICE. Yes.

Mr. COGAN. And he said, "Yes."

Mr. RICE. Yes. What were the arrangements?

Mr. COGAN. There were no arrangements made. He said that he may be able to put me to work.

Mr. RICE. And he did?

Mr. COGAN. And about a month later he did.

Mr. RICE. What were your arrangements as to compensation? What were you paid?

Mr. COGAN. At that time I was paid \$100 a week.

Mr. RICE. \$100 a week?

Mr. COGAN. Yes.

Mr. RICE. What have you been receiving recently?

Mr. COGAN. \$150.

Mr. RICE. \$150, plus expenses?

Mr. COGAN. It is according to what you call expenses.

Mr. RICE. Yes.

Mr. COGAN. I mean expenses to me mean hotel, food, and everything else.

Mr. RICE. Hotel, food, and everything else?

Mr. COGAN. But I don't get that. I mean I may get fares from one place to another.

Mr. RICE. Yes.

Mr. COGAN. And if something goes wrong with my car, but that would be about it.

Mr. RICE. You get your transportation.

You heard Dick Remer testify and I take it your operation is substantially the same at tracks for Rosenbaum as Remer's; is that correct?

Mr. COGAN. No; I don't have any telephones inside tracks.

Mr. RICE. You do not have any tracks where you have a telephone.

Now, at the Fair Grounds track, how did you make your arrangements there for a telephone?

Mr. COGAN. I went to two or three different places and asked them if I might use the phone during the day to receive telephone calls.

Mr. RICE. Yes; and one of those was John Cefalu?

Mr. COGAN. Yes, sir.

Mr. RICE. At 1719 Du Plain Street?

Mr. COGAN. I am not sure about the address.

Mr. RICE. That street is right across the track, is it not?

Mr. COGAN. I am not sure about the street is wrong.

Mr. RICE. You think the street is wrong?

Anyway, it was John Cefalu, was it not?

Mr. COGAN. Yes, sir.

Mr. RICE. And he had a telephone there which was Bywater 6016?

Mr. COGAN. Yes, sir.

Mr. RICE. Wasn't his house right across from the track?

Mr. COGAN. Yes, sir.

Mr. RICE. Isn't his house right across from the track?

Mr. COGAN. Yes.

Mr. RICE. How much did you pay him a day for the use of that telephone?

Mr. COGAN. There is no set price. I buy gifts for the kids; I buy gifts for his wife, and may give money once in a while, but there is no set price.

Mr. RICE. I have a note here indicating that while I was talking to you, you said something about \$10 a day.

Mr. COGAN. It might amount to it, but there is no set price.

Mr. RICE. I see.

Well, now, when you made the arrangements with Cefalu, wasn't the telephone changed from an ordinary listing to a nonpublished listing at your request?

Mr. COGAN. Yes; because he was getting a lot of personal calls and I asked him to do me a favor and change the phone.

Mr. RICE. So he switched from a regular phone to a nonpublished, at your request, and the bill remained in his name, the listing remained in his name?

Mr. COGAN. I think so.

Mr. RICE. Yes. It didn't go over to your name?

Mr. COGAN. That is right.

Mr. RICE. Who pays the telephone bill at the end of the month?

Mr. COGAN. There is no telephone bill except may be three or four dollars.

Mr. RICE. Who pays that?

Mr. COGAN. He does.

Mr. RICE. He does?

Mr. COGAN. Yes, sir.

Mr. RICE. And all your calls that you make are collect calls?

Mr. COGAN. Yes, sir.

Mr. RICE. I see.

Now, then, what telephone number did you get in touch with in Cincinnati?

Mr. COGAN. Axtell 1499.

Mr. RICE. 1499? Who were you asking for on the number?

Mr. COGAN. I wouldn't have to ask for anyone.

Mr. RICE. Whoever answered was the man?

Mr. COGAN. The operator would say "Mr. Cogan is calling."

Mr. RICE. "Mr. Cogan is calling," and then they would accept it?

Mr. COGAN. Yes.

Mr. RICE. Then you talked to Louis sometimes?

Mr. COGAN. Very seldom.

Mr. RICE. Occasionally?

Mr. COGAN. Occasionally.

Mr. RICE. At the Axtell number?

Mr. COGAN. Yes, sir.

Mr. RICE. Would you ask for Cincinnati or Covington or Newport?

Mr. COGAN. Cincinnati.

Mr. RICE. Cincinnati. As a matter of fact, it was across the river.

Mr. COGAN. I still asked for Cincinnati.

Mr. RICE. You still asked for Cincinnati?

Mr. COGAN. Yes, sir.

Mr. RICE. Would you hear the operator saying something about it?

Mr. COGAN. She would say, "Cincinnati," sir.

Mr. RICE. Wouldn't she say "Newport"?

Mr. COGAN. No.

Mr. RICE. How do you receive your money to bet with, Western Union?

Mr. COGAN. Western Union.

Mr. RICE. Where would that be sent to you?

Mr. COGAN. Whatever address I happened to be at.

Mr. RICE. Wherever you lived?

Mr. COGAN. Yes, sir.

Mr. RICE. How much would you receive each week?

Mr. COGAN. No set amount.

Mr. RICE. No set amount? What would they run about, Mr. Cogan?

Mr. COGAN. Might run a thousand, two thousand dollars.

Mr. RICE. A thousand, two thousand a week?

Mr. COGAN. No, sir; whenever I might get a check.

Mr. RICE. Whenever you needed it.

In your experience as a come-back man have you ever had a winning meeting?

Mr. COGAN. No, sir.

Mr. RICE. It is a constantly losing proposition with you, too, or with Louis?

Mr. COGAN. Over the period of the meeting.

Mr. RICE. Over the period of the meeting you are bound to lose?

Mr. COGAN. No. I might only lose a dollar sometimes, I mean, but I probably lose.

Mr. RICE. Sometimes you lose less than others?

Mr. COGAN. That is right.

Mr. RICE. Did you ever know of a meeting when you won?

Mr. COGAN. I don't remember.

Mr. RICE. I have here a program from the Fair Grounds, official program, for Saturday, January 27, 1951. That is the day that you were served with a subpoena, isn't that right?

Mr. COGAN. Yes, sir.

Mr. RICE. And I think it would be helpful if you would explain for the Senators what these notations are on the program.

This is a program you used that day, isn't that right? You recognize it as your figures?

Mr. COGAN. Yes; I do.

Mr. RICE. These, I believe you said, were some personal notations you had of your expenses?

Mr. COGAN. That is right. I just said they were personal notations.

Mr. RICE. Personal notations?

Mr. COGAN. That is right.

Mr. RICE. All right, sir. What are these figures here "1716"?

Mr. COGAN. I believe—I am not quite sure now, but I believe—that is probably what I might have started off with at the beginning of the day.

Mr. RICE. This is at the top of the first race, the figure "1716" appears. What does that mean, your bankroll?

Mr. COGAN. It might be my bankroll for that day.

Mr. RICE. What is it? You wrote it.

Mr. COGAN. I don't know now.

Mr. RICE. What was it then?

Mr. COGAN. I don't know. It probably was my bankroll at the beginning of the day.

Mr. RICE. It is probably your bankroll, you are pretty sure of that? I think that is what you told me it was.

Mr. COGAN. Yes.

Mr. RICE. What is the "555" under that?

Mr. COGAN. The "555" are expenses that occurred for 2 weeks.

Mr. RICE. So that your 2 weeks' "expenses" were deducted from your bankroll, and you started the 27th with \$1,161?

Mr. COGAN. Yes, sir.

Mr. RICE. Now then, you have horse No. 4, Rockwood Lou, circled. What does that mean?

Mr. COGAN. He won the race that day.

Mr. RICE. He won the race. Then you have got something next to him. What does that indicate?

Mr. COGAN. That means he ran a dead heat with No. 10.

Mr. RICE. He ran a dead heat with No. 10? I think I remember that race. [Laughter.]

He ran a dead heat with Fondest Hope. Did you place any bets in that race?

Mr. COGAN. No, sir.

Mr. RICE. You merely are indicating winners for your own amazement.

Now, at the second race you have got the figure "215" at the top.

Mr. COGAN. That is post time.

Mr. RICE. That is post time? Now then, you have got King Twig, the No. 1 horse, circled.

Mr. COGAN. He won the race.

Mr. RICE. He is the winner. You have got No. 9, he ran second?

Mr. COGAN. That is second.

Mr. RICE. And No. 2 ran third?

Mr. COGAN. Yes, sir.

Mr. RICE. Was any bet placed?

Mr. COGAN. No, sir.

Mr. RICE. You have got the third race, there are some notations here. These apparently are odds—oh, no, that is paid.

Mr. COGAN. I don't know what that is now. It is not——

The CHAIRMAN. Speak up, we cannot hear anything that is going on.

Mr. RICE. What does the "241" indicate?

Mr. COGAN. That is the post time for the next race.

Mr. RICE. And you have got the winner Calm Bay. Any bets?

Mr. COGAN. No, sir.

Mr. RICE. That is post time, no bets?

Mr. COGAN. No bets.

Mr. RICE. Post time, any bets?

Mr. COGAN. No bets.

Mr. RICE. Any bets on the sixth?

Mr. COGAN. No, sir.

Mr. RICE. On the seventh?

Mr. COGAN. No, sir.

Mr. RICE. On the eighth?

Mr. COGAN. I bet a hundred dollars.

Mr. RICE. A hundred dollars? Was that on instructions from Rosenbaum?

Mr. COGAN. Yes, sir.

Mr. RICE. And was that the only bet you made that day?

Mr. COGAN. Up to then.

Mr. RICE. Up to then?

Mr. COGAN. Yes, sir. I don't know——

Mr. RICE. What do you mean you don't know?

Mr. COGAN. So far; there is another page yet.

Mr. RICE. Yes. The winner was the No. 1 horse; the No. 4 horse ran second; and the No. 6 horse ran third?

Mr. COGAN. That is right. You have that right.

Mr. RICE. You have got here 1-30-35.

Mr. COGAN. In case he would ask me what the horse went off at I would be able to tell him; that is why I just marked that.

Mr. RICE. In case Rosenbaum asked you what horse went off at?

Mr. COGAN. That horse there. The horse that I had bet on.

Mr. RICE. So you bet \$100 on the No. 7 horse?

Mr. COGAN. Yes, sir.

Mr. RICE. And it went off at 30 to 1?

Now, these are the odds——

Mr. COGAN. On all the horses.

Mr. RICE (continuing). On all the horses, and you had one horse going off, the winner went off at 6 to 1 then?

Mr. COGAN. Yes, sir.

Mr. RICE. And the second horse went off at 6 to 1, and the third at 9 to ——

Mr. COGAN. 4½ to 1.

Mr. RICE. 41½ to 1; and the horse you put the \$100 on went off at 30 to 1. Did it win?

Mr. COGAN. No, sir.

Mr. RICE. How about that last race, the ninth race?

Mr. COGAN. The ninth race I bet \$200 across.

Mr. RICE. How do you tell that?

Mr. COGAN. 2-2-2.

Mr. RICE. You put \$200? Where is your \$200?

Mr. COGAN. I just put it any way that I know how to read it. In this place I marked 2-2-2.

Mr. RICE. So you bet \$200 across the board on No. 3?

Mr. COGAN. Yes, sir.

Mr. RICE. And you still do not know how that made up?

Mr. COGAN. No.

Mr. RICE. We interrupted you—

Senator TOBEY. Mr. Cogan, this telephone you called so frequently, Axtell 1499, that is listed under the name of the Northern Kentucky Hospitalization Insurance Agency. Do you know that?

Mr. COGAN. No, sir.

Senator TOBEY. It is almost worth coming to the meeting just to learn that.

Mr. COGAN. Yes, sir.

Senator TOBEY. I repeat again. The telephone you called so frequently, Axtell 1495, was under the Northern Kentucky Hospitalization Insurance Agency at 20 West Fourth Street, Newport, Ky. In that place there are five telephones—Axtell 1495-6-7-8-9.

Now, you have been in Massachusetts, worked at Suffolk Downs, Mass., have you not?

Mr. COGAN. Yes, sir.

Senator TOBEY. You were arrested there, were you not?

Mr. COGAN. No.

Senator TOBEY. Were you not picked up by the police?

Mr. COGAN. No, sir.

Senator TOBEY. Then, what was the story?

Mr. COGAN. The State police asked me if I would come in and give them some information.

Senator TOBEY. About what?

Mr. COGAN. About the work I was doing.

Senator TOBEY. Did you give they any?

Mr. COGAN. Yes, sir.

Senator TOBEY. What did they say?

Mr. COGAN. They said nothing.

Senator TOBEY. Did they say "Go and sin no more"?

Mr. COGAN. They said nothing.

Senator TOBEY. That was all there was to it?

Mr. COGAN. Yes, sir; they said it was for the record.

Senator TOBEY. Did you ever go to Rockingham Park in New Hampshire?

Mr. COGAN. I have been there, 2 years ago.

Senator TOBEY. Did you operate there?

Mr. COGAN. For a few days.

Senator TOBEY. For whom?

Mr. COGAN. Mr. Rosenbaum.

Senator TOBEY. Whose telephone did you use in New Hampshire?

Mr. COGAN. I don't remember the party. It was near the track.

Senator TOBEY. And you paid them something for the use of the telephone?

Mr. COGAN. The same as I would anywhere else.

Senator TOBEY. About how much?

Mr. COGAN. At that place, I believe I gave the woman a gift at the end of the few days.

Senator TOBEY. In other words, it is necessary to carry on this business to have a kitty, a pool account, that you can draw on to grease the wheels and get access to telephones, and so forth; is that right?

Mr. COGAN. I would not put it that way, no.

Senator TOBEY. How would you put it?

Mr. COGAN. I believe if you want a favor done, sometimes you buy a person something, since the person doesn't know you.

Senator TOBEY. Money talks, in other words?

Mr. COGAN. I guess it does.

Senator TOBEY. All right, Mr. Chairman.

The CHAIRMAN. Do you also make arrangements with the cashiers, whenever you can?

Mr. COGAN. Pardon?

The CHAIRMAN. Do you make arrangements with cashiers like Mr. Remer so you will not have to be handling money, whenever you can?

Mr. COGAN. No, sir.

The CHAIRMAN. You always keep the money in your pocket?

Mr. COGAN. Yes, sir.

The CHAIRMAN. Any other questions?

Mr. RICE. Yes.

I have a number of telephone calls which may be interesting, made by Cogan from Bywater 6016, which is the New Orleans number which you operated from, to Axtell 1499 at Cincinnati. On December 23, 1950, calls were made at 1:38 p. m., 2:06 p. m., 2:32 p. m., 3 p. m., 3:31 p. m., 3:55 p. m., 4:16 p. m., 4:23 p. m., and 4:53 p. m. That is more than a call a race. Why would you do that?

Mr. COGAN. I wouldn't have any idea.

The CHAIRMAN. Did you not call in to see whether they had a bet; and if they had none, they would say "No bet"?

Mr. COGAN. That would only amount to the number of races for the day.

Mr. RICE. You are right. It is a nine-race card, instead of an eight-race card. There were nine calls, and nine calls again on the 23d. You would call each and every race, whether you bet or not?

Mr. COGAN. Yes, sir.

Senator TOBEY. Do you know Michael Rocco, a Boston gambler?

Mr. COGAN. I have met him.

Senator TOBEY. Do business with him?

Mr. COGAN. No, sir.

Senator TOBEY. Where did you meet him?

Mr. COGAN. At the race track.

Senator TOBEY. He is generally known as "Mickey, the Wise Guy," is he not?

Mr. COGAN. That is what I read.

Senator TOBEY. What do you know about him and his operation?

Mr. COGAN. Nothing at all, sir.

Senator TOBEY. Do you know Danny Ricci, of the Patriacca gang of ill fame of Providence, R. I.?

Mr. COGAN. I know of him now because I was told about him.

Senator TOBEY. When did you meet him and where?

Mr. COGAN. I met him at one of the race tracks, I believe Suffolk Downs.

Senator TOBEY. Do you know the history of the Patriacca gang?

Mr. COGAN. I have no idea.

Senator TOBEY. You never heard about them?

Mr. COGAN. Never.

Senator TOBEY. All right, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. RICE. I want to ask him another question.

While you were at the fairgrounds, were there other come-back men working there?

Mr. COGAN. I believe so.

Mr. RICE. Joe Uvanni was there?

Mr. COGAN. Yes, sir.

Mr. RICE. Steve Portler—was he there?

Mr. COGAN. No, sir.

Mr. RICE. Do you know him?

Mr. COGAN. No, sir.

Mr. RICE. Who was the man from Kingston that was there?

Mr. COGAN. I don't know him, either, sir.

Mr. RICE. Was the Dobkins man there from Chicago?

Mr. COGAN. Not that I know of.

Mr. RICE. Who were some of the other men that were there?

Mr. COGAN. Joe is the only one I know.

Mr. RICE. Uvanni?

Mr. COGAN. Yes, sir.

Mr. RICE. Where did he operate from?

Mr. COGAN. I believe he operates out of St. Louis.

Mr. RICE. And do you have any contact with Mitchell Cohen in Philadelphia?

Mr. COGAN. I just know him.

Mr. RICE. Just know him?

Mr. COGAN. Yes.

Mr. RICE. What do you know him to be?

Mr. COGAN. A small bookmaker, I guess.

Mr. RICE. A small bookmaker.

And what business do you have with him?

Mr. COGAN. None at all.

Mr. RICE. None at all. Do you take any action for him?

Mr. COGAN. No, sir.

Mr. RICE. How about Jule Fink in Long Island, N. Y.?

Mr. COGAN. He is a personal friend.

Mr. RICE. What business is he in?

Mr. COGAN. I don't know. I guess he bets on horses; that is all.

Mr. RICE. A bookie?

Mr. COGAN. No, sir.

Mr. RICE. Just bets?

Mr. COGAN. A horse bettor.

Mr. RICE. Does he call you occasionally?

Mr. COGAN. Never.

Mr. RICE. He never calls you?

Mr. COGAN. Never.

Mr. RICE. Did Frank Erickson or his outfit have a man at the fair grounds?

Mr. COGAN. Not that I know of.

Mr. RICE. Now, you have been to Cincinnati, have you not?

Mr. COGAN. I have been there; yes, sir.

Mr. RICE. And you went to the headquarters, the office, on at least one occasion, did you not?

Mr. COGAN. On one occasion.

Mr. RICE. Where was it?

Mr. COGAN. In Newport, I believe.

Mr. RICE. Over in Newport, across the river?

Mr. COGAN. Yes, sir.

Mr. RICE. Do you know the address of the place?

Mr. COGAN. No, sir.

Mr. RICE. What type of building was it in?

Mr. COGAN. It looks like an office building.

Mr. RICE. It looks like an office building?

Mr. COGAN. Yes.

Mr. RICE. I thought you said a private house.

Mr. COGAN. There were some offices in there.

Mr. RICE. Some offices in a private house. What type of offices are there? What do they have in there?

Mr. COGAN. I don't know. I believe there is an attorney in there.

Mr. RICE. What?

Mr. COGAN. An attorney, I believe, in the building.

Mr. RICE. An attorney in the building?

Mr. COGAN. I believe so.

Mr. RICE. What is on the door of Rosenbaum's outfit there?

Mr. COGAN. I don't have any idea.

Mr. RICE. You were there.

Mr. COGAN. I was there once.

Mr. RICE. Was Louis there with you?

Mr. COGAN. Yes.

Mr. RICE. Who else was there?

Mr. COGAN. That is all.

Mr. RICE. Just one man?

Mr. COGAN. Yes, sir.

Mr. RICE. Was there a ticker there?

Mr. COGAN. It was on Sunday.

Mr. RICE. Any adding machines?

Mr. COGAN. No.

Mr. RICE. Any ticker?

Mr. COGAN. No, sir.

Mr. RICE. Do you know what a ticker is?

Mr. COGAN. I have seen them in Western Union offices or stock markets.

Mr. RICE. What did you see in there?

Mr. COGAN. Tables and chairs.

Mr. RICE. Tables and chairs. What were you doing over there?

Mr. COGAN. I went there for some money.

Mr. RICE. Money?

Mr. COGAN. Yes, sir.

Mr. RICE. Where did the money come from?

Mr. COGAN. Mr. Rosenbaum gave it to me there.

Mr. RICE. Did he have a safe there?

Mr. COGAN. I didn't see the safe; I didn't see the safe.

Senator TOBEY. As a matter of fact, on Rosenbaum's door is there not a sign in italics "Leave hope behind, all ye that enter here"?

Did you not see that sign?

Mr. COGAN. No. It might be there, but I did not see it.

Senator TOBEY. Now, you just said, in answer to my question, that the Massachusetts State police called you and talked to you and said nothing. As a matter of fact, the sequel to that was that you, Cogan, and Uvanni and Phelan and Rocco and Ricci were ruled off that track for life; were you not?

Mr. COGAN. That is what the newspapers said.

Senator TOBEY. I am asking if it was not true.

Did you not receive notice to that effect?

Mr. COGAN. No, sir.

Senator TOBEY. Well, we will see that one comes to you then.

Mr. COGAN. All right, sir.

The CHAIRMAN. That is all. Call the next witness.

Mr. RICE. Mr. Louis Rosenbaum.

The CHAIRMAN. Do you swear the testimony you give this committee will be the whole truth, so help you God?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. All right, Mr. Rice.

Senator TOBEY. Is this "the Rosenbaum"?

Mr. RICE. We will find out. This is Louis Rosenbaum.

TESTIMONY OF LOUIS ROSENBAUM, CINCINNATI, OHIO

Your name is Louis Rosenbaum?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. How do you spell that?

Mr. ROSENBAUM. L-o-u-i-s R-o-s-e-n-b-a-u-m.

Mr. RICE. Where do you live, Mr. Rosenbaum?

Mr. ROSENBAUM. Cincinnati, Ohio.

Mr. RICE. Where were you born?

Mr. ROSENBAUM. I was born on Sixth Street.

Mr. RICE. Sixth Street?

Mr. ROSENBAUM. Yes.

Mr. RICE. New York?

Mr. ROSENBAUM. No, Cincinnati.

Mr. RICE. Cincinnati. Have you lived there all your life?

Mr. ROSENBAUM. Yes.

Mr. RICE. What business are you in?

Mr. ROSENBAUM. Now in horses.

The CHAIRMAN. Speak up, Mr. Rosenbaum. We cannot hear you.

Mr. ROSENBAUM. Horses.

Mr. RICE. What do you mean by that?

Mr. ROSENBAUM. Well, I buy them, I sell them, I breed them.

Mr. RICE. Buy, sell, and breed horses. Anything else?

Mr. ROSENBAUM. And handle commissions.

Mr. RICE. Handle commissioins. By that would you say that that is a refinement of a bet?

Mr. ROSENBAUM. Yes, you could say "bet."

Mr. RICE. Have you ever been in any other business?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. What is that?

Mr. ROSENBAUM. Clothing.

Mr. RICE. Was that with your brother or your cousin—Mackey?

Mr. ROSENBAUM. No.

Mr. RICE. Who was that with?

Mr. ROSENBAUM. I was with myself.

Mr. RICE. In business for yourself?

Mr. ROSENBAUM. Yes.

Mr. RICE. You are out of that business now?

Mr. ROSENBAUM. Yes.

Mr. RICE. Where is your office, Mr. Rosenbaum?

Mr. ROSENBAUM. Now?

Mr. RICE. Yes.

Mr. ROSENBAUM. Nil.

Mr. RICE. When did it become nil?

Mr. ROSENBAUM. Well, I haven't had my own office in a long time.

Mr. RICE. Did we get your home address?

Did you give your home address?

Mr. ROSENBAUM. No; I don't think so.

Mr. RICE. Where do you live?

Mr. ROSENBAUM. 7216 Ellbrook Avenue.

Mr. RICE. In——

Mr. ROSENBAUM. Cincinnati.

Mr. RICE. A suburb of Cincinnati?

Mr. ROSENBAUM. Yes.

Mr. RICE. That is a private residence?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. Not an apartment?

Mr. ROSENBAUM. It is an apartment.

Mr. RICE. It is an apartment?

Mr. ROSENBAUM. Yes.

Mr. RICE. And who lives there with you?

Mr. ROSENBAUM. My wife.

Mr. RICE. Your wife. Anyone else?

Mr. ROSENBAUM. That is all.

Mr. RICE. All right, sir.

Mr. ROSENBAUM. My wife and baby.

Mr. RICE. I beg your pardon?

Mr. ROSENBAUM. My wife and baby.

Mr. RICE. Your wife and baby?

Mr. ROSENBAUM. Yes.

Mr. RICE. What telephone service do you have there?

Mr. ROSENBAUM. What do you mean by that?

Mr. RICE. What do I mean?

Mr. ROSENBAUM. Yes.

Mr. RICE. Do you have a telephone?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. How many handsets do you have?

Mr. ROSENBAUM. I got a telephone with an extension.

Mr. RICE. With an extension?

Mr. ROSENBAUM. Yes.

Mr. RICE. Don't you have two lines there?

Mr. ROSENBAUM. I got another phone—yes, I have.

Mr. RICE. Don't you have Elmhurst 1631 there?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. Is that listed in the phone book to you?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. How about Elmhurst 1362?

Mr. ROSENBAUM. That is right.

Mr. RICE. That is there, too?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. Not a switchboard, just two phones?

Mr. ROSENBAUM. That is right.

Mr. RICE. How come you to have two phones?

Mr. ROSENBAUM. One for my wife mostly, and sometimes when I talk—

Mr. RICE. Of the two phones which one is yours?

Mr. ROSENBAUM. 1631.

Mr. RICE. 1631 is yours?

Mr. ROSENBAUM. Yes.

Mr. RICE. Those are business phones, are they not?

Didn't you contract with the telephone company for business service there?

Mr. ROSENBAUM. Well, I use them for either way—anything you want. I only use mine—for every purpose, you can say.

Mr. RICE. Anything. How about the Axtell numbers—1495-6-7-8-9?

Mr. ROSENBAUM. What do you mean—about them?

Mr. RICE. Do you use those telephones?

Mr. ROSENBAUM. I have.

Mr. RICE. You have. And did you contract to get those telephones?

Mr. ROSENBAUM. No, sir.

Mr. RICE. Do you know where they are?

Mr. ROSENBAUM. Now?

Mr. RICE. Yes.

Mr. ROSENBAUM. No, I don't.

Mr. RICE. Where were they last week?

Mr. ROSENBAUM. Over in Newport.

Mr. RICE. Over in Newport. Whereabouts?

Mr. ROSENBAUM. 20 West Fourth.

Mr. RICE. 20 West Fourth?

Mr. ROSENBAUM. Yes.

Mr. RICE. That was your office last week; wasn't it?

Mr. ROSENBAUM. Well, it wasn't ever mine.

Mr. RICE. It wasn't ever yours?

Mr. ROSENBAUM. But I rented it.

Mr. RICE. Whose office was it?

Mr. ROSENBAUM. Well, doggone if I know.

The CHAIRMAN. Speak up, Mr. Rosenbaum.

Mr. RICE. The records indicate that the 20 West Fourth Street, which you know very well—

Mr. ROSENBAUM. The man I got it from is Max.

Mr. RICE. Max Miller?

Mr. ROSENBAUM. Who?

Mr. RICE. Maurice Miller?

Mr. ROSENBAUM. No.

Mr. RICE. Who is Maurice Miller?

Mr. ROSENBAUM. Maurice Miller is a brother-in-law of mine.

Mr. RICE. A brother-in-law of yours. He contracted for the service; didn't he?

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't know?

Mr. ROSENBAUM. I really don't know.

Mr. RICE. Whose operation was it?

Mr. ROSENBAUM. Who was at the head of it?

Mr. RICE. Yes.

Mr. ROSENBAUM. I was.

Mr. RICE. You were the head of it?

Mr. ROSENBAUM. Yes.

Mr. RICE. Just tell us about how you came to get in the business at 20 West Fourth, and how you set it up; how long you have been there.

Mr. ROSENBAUM. I have been there since about last March or April; about April.

Mr. RICE. About April of 1950?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. And how many people do you employ there or did you employ there?

Mr. ROSENBAUM. At the office?

Mr. RICE. Yes.

Mr. ROSENBAUM. About three.

Mr. RICE. How many?

Mr. ROSENBAUM. About three.

Mr. RICE. Who were they?

Mr. ROSENBAUM. Sometimes four.

Mr. RICE. Who were they? You had five telephones in there.

Mr. ROSENBAUM. Well, there was my brother-in-law.

Mr. RICE. What is his name?

Mr. ROSENBAUM. Maurice Miller.

Mr. RICE. How about Herlanger?

Mr. ROSENBAUM. Who?

Mr. RICE. Ralph Herlanger—H-e-r-l-a-n-g-e-r.

Mr. ROSENBAUM. I don't know him.

Mr. RICE. You don't know him?

Mr. ROSENBAUM. No.

Mr. RICE. There is something wrong.

Mr. ROSENBAUM. Ralph Herlanger?

Mr. RICE. Yes.

Mr. ROSENBAUM. Don't know him.

Mr. RICE. And never heard of the Northern Kentucky Hospitalization Insurance Agency?

Mr. ROSENBAUM. Maybe that name is there. I don't know anything about it. It isn't my office.

Mr. RICE. It isn't your office?

Mr. ROSENBAUM. It isn't my office—just like me renting space here.

Mr. RICE. Tell us how it works.

Mr. ROSENBAUM. There is no working to it; just rent space.

Senator TOBEY. Just a second. You took these offices over; you say you did?

Mr. ROSENBAUM. I didn't take them all over.

Senator TOBEY. You hired the offices. Who from?

Mr. ROSENBAUM. From this Max.

Senator TOBEY. And there were five telephones in there when you hired it?

Mr. ROSENBAUM. Yes, sir.

Senator TOBEY. When you took the office, the five telephones were in there; is that right?

Mr. ROSENBAUM. That is right.

Senator TOBEY. Well, the telephone company, when a new tenant comes in always makes the new tenant sign a lease in his own name. You know that, don't you?

Mr. ROSENBAUM. I don't know.

Senator TOBEY. You don't know that?

Mr. ROSENBAUM. I have nothing to do with that.

Mr. RICE. There is one thing wrong. Maurice Miller, your brother-in-law, is the man who contracted for the telephones in the name of the Northern Kentucky Hospitalization Insurance Agency. How do you account for that?

Mr. ROSENBAUM. That, I couldn't tell you.

Senator TOBEY. You knew he did, didn't you?

Mr. ROSENBAUM. I don't remember that.

Senator TOBEY. You know the telephones are listed under Northern Kentucky Hospitalization Insurance Agency—didn't you?

Mr. ROSENBAUM. I never really read—

Senator TOBEY. Didn't you know the telephones are listed under that name?

Mr. ROSENBAUM. No; I didn't.

Senator TOBEY. This is the first time you have heard of it?

Mr. ROSENBAUM. The first time I would hear of it, because I do not pay the bills.

Senator TOBEY. What we are trying to find out, and going to find out, is how one Louis Rosenbaum, now before us as a witness, conducting gambling on a large scale from Newport, Ky., has five telephones that are listed under a charitable hospitalization organization and he is doing business as a gambler on the telephones. What is the answer?

Mr. ROSENBAUM. I don't know what you mean exactly. I don't understand.

Senator TOBEY. I will say it in A-B-C language, and listen carefully so you will not say that again. You are doing a gambling operation in this place of Newport, aren't you?

Mr. ROSENBAUM. Yes, sir.

Senator TOBEY. Conducting gambling. And you have got five telephones there?

Mr. ROSENBAUM. Yes.

Senator TOBEY. And they are listed under the name of the Northern Kentucky Hospitalization Insurance Agency, which is a travesty because they are really Rosenbaum's gambling telephones, aren't they, used by him in his business?

Mr. ROSENBAUM. I just lease the place—not lease it—

Senator TOBEY. Whom did you lease it from?

Mr. ROSENBAUM. This Max—just a minute, and I will tell you his last name if I can think of it. Max Slackman, something like that.

The CHAIRMAN. Let's get that name correct.

Senator TOBEY. Don't you know when any new person comes in an office and takes telephone service that the telephones already in there have to be released, and somebody has to sign a lease for the telephones in some name? The fact was that the Newport Hospitalization Service was in there in a legitimate business before you came in. Do you know?

Mr. ROSENBAUM. I would think that place was already—I know it was there.

Senator TOBEY. You know very well it couldn't happen that Mr. Rosenbaum, professional gambler, could absorb the use and utilize the five telephones listed under the Hospitalization Service when he is conducting gambling operations as a new tenant; don't you?

Mr. ROSENBAUM. I didn't hear that very good.

Senator TOBEY. I will say it once more, and then my patience is exhausted. Don't you know, as a businessman and a citizen, if you, John Smith or Bill Jones, or I come over and take over some offices and rent them for my own business, in your case gambling, and there were five telephones in there when you come in and they were listed under Hospitalization Service, that before you can use those telephones at all for a single call the telephone company makes you sign an application under your own name or you don't get the telephone service?

Mr. ROSENBAUM. That is right, but here is what I would—I think you would be right.

Senator TOBEY. All right.

Mr. ROSENBAUM. But here is the case. Suppose you come in—put yourself in my place—and I was talking to you and say, "I want you to come over here, come on over," and I would come over to your place of business. The telephones are already there.

Senator TOBEY. Oh, yes, but did the Hospitalization Service say for you to come over to their place and do business?

Mr. ROSENBAUM. I don't know no hospitalization.

Senator TOBEY. Well, the telephones are listed under the name of the Northern Kentucky Hospitalization Insurance Agency.

Mr. ROSENBAUM. They are already there.

Senator TOBEY. Yes; but you know very well you couldn't possibly use those telephones by the permission of the telephone company under the name of the Northern Kentucky Hospitalization Service and do a gambling business, don't you?

Mr. ROSENBAUM. I don't know.

Senator TOBEY. Well, we will find out from the telephone company and let you know, and give you an answer. If you are too dumb to know, we will let you know in the next few days.

Mr. RICE. When did you first go into the address at 20 West Fourth Street, Newport, Ky.?

Mr. ROSENBAUM. Around April, I would think.

Mr. RICE. Around April of 1950?

Mr. ROSENBAUM. Somewhere in that neighborhood.

Mr. RICE. Were the telephones in there then?

Mr. ROSENBAUM. When I came in there they were there.

Mr. RICE. Do you know how they were listed?

Mr. ROSENBAUM. No.

Mr. RICE. All right. I have a record here which says that on July 3, 1950, Maurice Miller, your brother-in-law, signed a contract to obtain telephones, Axtell 1495-6-7-8 and 9 in the name of the Northern Kentucky Hospitalization Insurance Agency, 20 West Fourth Street, Newport. So that if you went in there in May and your brother-in-law went in there in July and obtained that service and you were in there, you are going to have to explain what the situation is.

Mr. ROSENBAUM. What the situation is. Well, if you would talk to this Max, he gets blurred up every once in a while.

Mr. RICE. We are not interested in talking to Max, we are interested in talking to Louis.

Mr. ROSENBAUM. Just a minute, and I will explain that too. He will say he don't want this, don't want that, and that is how I said, "Well, go on over there and sign your name to it."

Mr. RICE. So you told your brother-in-law to go on and sign his name to it—any name?

Mr. ROSENBAUM. No; his name.

Mr. RICE. Sign his name, but to take the phones out in any name he could think of.

Mr. ROSENBAUM. They were already that way before. That wasn't it.

Senator TOBEY. The thing that bothers me, Mr. Chairman, is here is a man who, on the testimony of Cogan and Remer, is kingpin in the horse gambling game and conducts gambling operations of large sums many, many times a day in many cases, and yet he is so dumb he can't even answer questions about the telephones. There is something wrong with the picture, and you only play a foolish game in trying to evade this thing. If your brother-in-law did that thing of putting down the hospitalization agency he is guilty of a crime, and I can't understand how you are the head of it and yet don't know anything at all.

Mr. ROSENBAUM. Well, I don't.

Senator TOBEY. You make a very inconsistent witness.

Mr. ROSENBAUM. I am not talking to people that I think know what it is all about.

Senator TOBEY. I think you do know—from Mr. Cogan's and Mr. Remer's testimony, you know what it is all about.

The CHAIRMAN. All right, Mr. Rice.

Mr. RICE. You have heard both Remer and Cogan say that they both reach you on the telephone at the Axtell numbers, and I think Cogan said he was there with you in the place.

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. So that you are definitely established as being in there.

Mr. ROSENBAUM. That is right.

Mr. RICE. Suppose someone was to get you on the telephone there who knows your name but doesn't know your location, what do you tell them?

Mr. ROSENBAUM. I tell them located at 20 West Fourth.

Mr. RICE. Twenty West Fourth, and leave it up to them to find you?

Mr. ROSENBAUM. To come up, and I am up on the second floor.

Mr. RICE. Suppose they happen to be in Las Vegas, Nev., and want to get a hold of you, and don't know your number, but they know your name.

Mr. ROSENBAUM. Yes.

Mr. RICE. Yes.

Mr. ROSENBAUM. They don't know my——

Mr. RICE. They want to get you in the daytime, and they are in Las Vegas and want to get a hold of Louis Rosenbaum.

Mr. ROSENBAUM. Yes.

Mr. RICE. How do they get a hold of you on the telephone?

Mr. ROSENBAUM. If they don't know my number at the office?

Mr. RICE. Yes.

Mr. ROSENBAUM. They would have to call my home.

Mr. RICE. Is there any arrangement to direct them to your home?

Mr. ROSENBAUM. No. They would call at night. That is the only thing they could do.

Mr. RICE. There is no way you are listed in the telephone book at your office?

Mr. ROSENBAUM. No.

Mr. RICE. You don't have any business name or anything like that?

Mr. ROSENBAUM. No, sir.

Mr. RICE. I see a call here from Las Vegas on December 22, 1950, to Axtell 1495 at 10:05 a. m. There was no answer at the Axtell number when the party asked for Louis Rosenbaum, and the call was transferred to Elmhurst 1631, which is the residence of Louis Rosenbaum. It was a collect call and you paid \$5.50 for it. How did you make those arrangements?

Mr. ROSENBAUM. The man knew my telephone number.

Mr. RICE. Who did?

Mr. ROSENBAUM. Whoever called me. I don't know.

Mr. RICE. This call was transferred from the Axtell number to the Elmhurst number.

Mr. ROSENBAUM. Well, what about it?

Mr. RICE. Who was it?

Mr. ROSENBAUM. I don't know. I have a lot of calls from Las Vegas.

Mr. RICE. Did you leave instructions with the telephone company if calls came through and if no answer, to go to the Elmhurst number?

Mr. ROSENBAUM. No, sir.

Mr. RICE. Are you sure about that?

Mr. ROSENBAUM. Positively.

Mr. RICE. So if this individual who called from Las Vegas knew your office number, he got it from you?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. What do you tell them on your office number? Suppose they forget the number, how do they look you up?

Mr. ROSENBAUM. I don't know. How you would look me up if you didn't have the number.

Mr. RICE. If I wanted to call Louis Rosenbaum, lawyer, it would be listed under lawyers. But what you are, I don't know.

Mr. ROSENBAUM. I am listed in the phone book on Elmhurst 1631.

Mr. RICE. How about your office?

Mr. ROSENBAUM. I have none.

Mr. RICE. There is no way. It is just a mystery: is that it?

Mr. ROSENBAUM. That is right.

Mr. RICE. You don't seem to be so much of a mystery to quite a few people. I note from the records of the phone company in 1 month's time 1,053 long distance telephone calls were charged to your number.

Mr. ROSENBAUM. That could be.

Mr. RICE. That could be?

Mr. ROSENBAUM. 1,053?

Mr. RICE. 1,053 long distance telephone calls charged to your Axtell numbers in one month.

Mr. ROSENBAUM. That could be.

Mr. RICE. That could be. How much does your telephone bill run a month there?

Mr. RICE. Three thousand; thirty-five hundred. Doesn't it run more than that sometimes?

Mr. ROSENBAUM. Sometimes a little more, sometimes a little less.

Mr. RICE. What business are you transacting there?

Mr. ROSENBAUM. Horses.

Mr. RICE. Selling any insurance?

Mr. ROSENBAUM. Horses.

Mr. RICE. Any hospitalization?

Mr. ROSENBAUM. No, sir.

Mr. RICE. You are not selling any hospitalization. That is a complete fraud, isn't it?

Mr. ROSENBAUM. There is no fraud. If I sold hospitalization, then it would be fraud. [Laughter.]

The CHAIRMAN. That is a very frank answer. Senator Tobey, I believe the witness is coming through.

Senator TOBEY. Yes; we are making some progress here.

Mr. ROSENBAUM. I am not trying to be smart.

The CHAIRMAN. Let's get on.

Senator TOBEY. This fellow who called from Las Vegas——

Mr. ROSENBAUM. I was referring to it a little earlier.

Senator TOBEY (continuing). Was probably sick and needed hospital service, didn't he? Is that it?

Mr. ROSENBAUM. I don't know.

Mr. RICE. He needed some insurance, lay-off, didn't he?

Mr. ROSENBAUM. Yes.

Mr. RICE. Yes. Tell us about the lay-offs, how it works. You don't take any bets from anybody but bookies, do you?

Mr. ROSENBAUM. No.

Mr. RICE. You don't take any straight bets?

Mr. ROSENBAUM. Yes, I do.

Mr. RICE. You do business entirely with bookies. You don't have anybody walking in off the street?

Mr. ROSENBAUM. Oh, no.

Mr. RICE. How many bookies would you say you had calling in to you during the day?

Mr. ROSENBAUM. Not many. It all comes from mostly a few.

Mr. RICE. A few. And do you have some of them in Las Vegas?

Mr. ROSENBAUM. Yes.

Mr. RICE. And do you have any in Hot Springs, Ark.?

Mr. ROSENBAUM. No, sir.

Mr. RICE. What are some of the cities where you get lay-off bets from?

Mr. ROSENBAUM. Well, I don't know. There is just different cities.

Mr. RICE. Just different cities. Well, name one.

Mr. ROSENBAUM. Well, I have got them from St. Louis.

Mr. RICE. 1,053 calls a month. You must remember one city.

Mr. ROSENBAUM. I have got some from St. Louis.

Mr. RICE. From St. Louis?

Mr. ROSENBAUM. Yes.

Mr. RICE. Who do you get them from?

Mr. ROSENBAUM. And I gave some to St. Louis.

Mr. RICE. How is that?

Mr. ROSENBAUM. I had both. I gave them and they gave me.

Mr. RICE. Are you laying off some yourself?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. What determines when you lay off to another bookie or when you lay off to the track?

Mr. ROSENBAUM. Well, sometimes I run out of money at the race track and I give it to St. Louis.

Mr. RICE. You run out of money?

Mr. ROSENBAUM. That my man runs out of money.

Mr. RICE. Remer or Cogan, or somebody like that runs out of money?

Mr. ROSENBAUM. That is right.

Mr. RICE. So you lay it off to another person?

Mr. ROSENBAUM. That is right.

Mr. RICE. And who do you lay off to in St. Louis?

Mr. ROSENBAUM. To Mooney.

Mr. RICE. John Mooney?

Mr. ROSENBAUM. Yes.

Mr. RICE. And how about Jamie Carroll?

Mr. ROSENBAUM. I don't know him.

Mr. RICE. You don't know him?

Mr. ROSENBAUM. No.

Mr. RICE. Where do you get a hold of John Mooney?

Mr. ROSENBAUM. I just call their office.

Mr. RICE. Just call their office. Do you remember the number?

Mr. ROSENBAUM. I used to remember.

Mr. RICE. You used to remember.

Mr. ROSENBAUM. One number is 0600, something like that.

Mr. RICE. That was the Rosedale number, I believe, wasn't it?

Mr. ROSENBAUM. I don't know. I don't do the calling. I do the directing.

Mr. RICE. Now then, how about in New York?

Mr. ROSENBAUM. In New York?

Mr. RICE. Yes.

Mr. ROSENBAUM. No, sir. I have calls from there getting information.

Mr. RICE. Getting information?

Mr. ROSENBAUM. That is right.

Mr. RICE. What kind of information?

Mr. ROSENBAUM. What's the smart horses.

Mr. RICE. Do you know what smart horses are?

Mr. ROSENBAUM. Yes.

Mr. RICE. You do?

Mr. ROSENBAUM. Yes.

Mr. RICE. How do you tell a smart horse?

Mr. ROSENBAUM. By looking at him.

Mr. RICE. You look at him?

Mr. ROSENBAUM. Yes. I can tell in a lot of different ways.

Mr. RICE. And this horse is running at New Orleans. What do you do when you look at this horse? What do you look at?

Mr. ROSENBAUM. At the animal itself, you mean?

Mr. RICE. You look at it. I don't know. You said you looked at the smart horses.

Mr. ROSENBAUM. Well, that is a smart horse. There is a lot of ways of looking at smart horses. You can look at one on the racing form.

Mr. RICE. You look at it on form?

Mr. ROSENBAUM. You can look at one as an animal.

Mr. RICE. Well, when these people call you from New York, what do you look at?

Mr. ROSENBAUM. It is what they tell you on the phone, that they got information, and what I think of the animal, and I have my own opinion.

Mr. RICE. Mr. Rosenbaum, I think probably the most interesting thing you could do for us, enlightening thing, would be to give us an illustration of one race and how you would handle it.

Possibly if I used a program [showing document to witness]. Now, referring to the ninth race at the Fair Grounds on January 27, 1951, you would get a certain amount of lay-off money on that particular race?

Mr. ROSENBAUM. We will say we did.

Mr. RICE. We will say we did, yes.

Mr. ROSENBAUM. Yes.

Mr. RICE. We actually did here, because this is the one that Cogan used. Now, approximately what would you get back on all of the horses together in a race like that? What would be your total handle on a race like that from lay-offs and every place?

Mr. ROSENBAUM. An average, or speaking of this particular race?

Mr. RICE. Your average race. What would you get?

Mr. ROSENBAUM. Maybe one, maybe two horses.

Mr. RICE. You would get action on more than one or two horses, wouldn't you?

Mr. ROSENBAUM. Only rooms would be getting that?

Mr. RICE. Only one?

Mr. ROSENBAUM. Rooms. The rest is only hearsay.

Mr. RICE. A rumor?

Mr. ROSENBAUM. A room, r-o-o-m. This is a room, and you have sheets on the wall, right down to dollars——

Mr. RICE. Horse room?

Mr. ROSENBAUM. Yes.

Mr. RICE. You don't get action on all the horses?

Mr. ROSENBAUM. That is right.

Mr. RICE. Somebody calls from St. Louis——

Mr. ROSENBAUM. That is only conversation. It happens, but it is so rare you would say there is no such thing.

Mr. RICE. Mooney will call you up from St. Louis and he will give you a bet on one horse, then, is that right?

Mr. ROSENBAUM. Yes.

Mr. RICE. That would be about how much?

Mr. ROSENBAUM. It depends how much he has got.

Mr. RICE. Let's use this race.

Mr. ROSENBAUM. Say he got a thousand dollars for a horse to win.

Mr. RICE. A thousand to win.

Mr. ROSENBAUM. Just say I got a thousand.

Mr. RICE. A thousand to win?

Mr. ROSENBAUM. Yes. And if I liked the horse, if I would like the horse, I would give him five hundred, and I would go in to another fellow and give him three hundred.

Mr. RICE. So you will lay off around—

Mr. ROSENBAUM. Two hundred here; yes.

Mr. RICE. All right, now. How do you arrive at a position when you decide to call Cogan and tell him to do something? What mental operation do you go through?

Mr. ROSENBAUM. Sometimes, in handicapping horses my own way—

The CHAIRMAN. Speak louder, please, Mr. Rosenbaum.

Mr. ROSENBAUM. If I like a horse myself and I think he will be hard, and these horses' forms are really bad, I will take that horse there, and if I would have five hundred for it, I would lay off two hundred across on him, and think maybe if something does beat him, why, you can't put him out of the money.

Mr. RICE. Can't put him out of the money because you bet him across the board?

Mr. ROSENBAUM. Yes; I bet two across the board.

Mr. RICE. In other words, you are trying to win on that race?

Mr. ROSENBAUM. Yes; I try to win on anything, same as you do.

Mr. RICE. That doesn't seem to tally with the record where it shows that you lose at every track you bet at through Cogan and Remer.

Mr. ROSENBAUM. That is right. You don't beat anybody, no race tracks.

Mr. RICE. You don't beat anybody at no race tracks?

Mr. ROSENBAUM. I say you don't beat no race tracks.

Mr. RICE. You don't beat no race tracks?

Mr. ROSENBAUM. That is right.

Mr. RICE. How do you stay in business?

Mr. ROSENBAUM. Well, you lay off some and keep some. You get a thousand dollars, you lay off seven hundred and keep three.

Mr. RICE. Yes.

Mr. ROSENBAUM. Or two or three, something.

Mr. RICE. Yes. Well, is it possible to get in a position on a race where you can't lose?

Mr. ROSENBAUM. I don't think so.

Mr. RICE. You don't think so?

Mr. ROSENBAUM. It has happened.

Mr. RICE. It has happened?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. Tell us how it happened.

Mr. ROSENBAUM. It happens—I don't know. I never have. I don't handle that kind of money. It's possible, but I don't think so. I never handled it that way.

Mr. RICE. How would it be possible?

Mr. ROSENBAUM. Well, just bet on everything in the race except the horses that really figure.

Mr. RICE. Not betting, you mean holding something on everything in the race?

Mr. ROSENBAUM. They are betting.

Mr. RICE. They are betting?

Mr. ROSENBAUM. Yes, on everything in the race except the two horses that really figure.

Mr. RICE. So, for purposes of argument, say they were betting a thousand on all 12 horses. So you would be holding \$12,000?

Mr. ROSENBAUM. Yes. If it would win, I would make money.

Mr. RICE. If the winner paid 20 to 1, you would make money, wouldn't you?

Mr. ROSENBAUM. Yes.

Mr. RICE. Don't you occasionally get in that position?

Mr. ROSENBAUM. They bet around the favorite, don't like the favorite.

Mr. RICE. Bet around the favorite?

Mr. ROSENBAUM. Yes.

Mr. RICE. If the favorite wins you are all right.

Mr. ROSENBAUM. The favorite doesn't win when they bet.

Mr. RICE. When these bettors bet?

Mr. ROSENBAUM. Yes.

Mr. RICE. Damon Runyon probably would like to hear that. He said that all horse players die broke, I believe.

Mr. ROSENBAUM. That is right.

Mr. RICE. Do you subscribe to that?

Mr. ROSENBAUM. I don't believe it.

Mr. RICE. You don't believe that?

Mr. ROSENBAUM. No; I think all bookmakers die broke. [Laughter.] You can't show me one that has got any money. The best proof is you can't show me one with money.

Mr. RICE. What business are you in?

Mr. ROSENBAUM. I am not a bookmaker. I am glad you called that.

The CHAIRMAN. Could an individual, say, in Newport call you and say, "I want to bet \$100 on No. 3 in a certain race," and would you take the bet?

Mr. ROSENBAUM. If your credit was good.

The CHAIRMAN. You do have a lot of customers of that sort, don't you?

Mr. ROSENBAUM. I haven't; no.

The CHAIRMAN. I mean this operation, Axtell, whatever it is.

Mr. ROSENBAUM. I would say people have, but I haven't.

The CHAIRMAN. But do you have some on Axtell? Suppose you should know me and know my credit was good, and I had done business with you and called you up on Axtell 1495 and said, "I want to bet \$100 on No. 7 at the Fair Grounds in New Orleans." Would you take the bet?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. And you have a lot of people who would call that way, don't you?

Mr. ROSENBAUM. I beg your pardon?

The CHAIRMAN. A lot of people did call you that way, didn't they?

Mr. ROSENBAUM. No; I have nobody. I have no people like that.

The CHAIRMAN. Did you ever have anybody just call you up, somebody that you knew, whose credit was good, and say they wanted to bet on a certain horse? If they did, would you take the bet?

Mr. ROSENBAUM. What is that?

The CHAIRMAN. Say Mr. Smith, as an example, whom you knew well, would call you from Cincinnati and say, "Louie, I want to bet \$500 on a certain horse running this afternoon at the Fair Grounds in New Orleans," and you knew his credit was good, he would pay you, would you take the bet?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. Well, you did that right off then, didn't you?

Mr. ROSENBAUM. I don't deal with private customers. There is a few. I have done it.

The CHAIRMAN. There are a few, but most of the people you would deal with are——

Mr. ROSENBAUM. Professionals.

The CHAIRMAN. Professionals and other commission merchants, other commission brokers; is that it?

Mr. ROSENBAUM. That is right.

Mr. RICE. Have you ever been arrested?

Mr. ROSENBAUM. Yes.

Mr. RICE. What for?

Mr. ROSENBAUM. Oh, for speeding, and got arrested in Miami.

Mr. RICE. What were you arrested for in Miami?

Mr. ROSENBAUM. I walked into a place and just sat down like this and I got arrested, and they said, they made out where I took \$5 on a horse, and I never done that in my life. Just one of them things I walked into it. What am I going to do?

Mr. RICE. What place did you walk into?

Mr. ROSENBAUM. I don't know—some place out in the country somewhere. I wouldn't even know it if I would see the place now. But \$5 here and \$5 there and \$5 here. I don't know what they were talking about. It is strictly one of them things I walked into. I don't know.

Mr. RICE. Did you pay a fine for that walk-in?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. How much did you pay?

Mr. ROSENBAUM. I think—I don't remember exactly—about four or five hundred.

Mr. RICE. You will be a little careful where you walk into now, won't you?

Mr. ROSENBAUM. It wouldn't make no difference. You can do it to me again. It happens to anybody.

Mr. RICE. How about the other times you were arrested?

Mr. ROSENBAUM. I was arrested in a room.

Mr. RICE. In a room?

Mr. ROSENBAUM. Yes.

Mr. RICE. Where was that?

Mr. ROSENBAUM. In Chicago.

Mr. RICE. In whose room——

Mr. ROSENBAUM. They just broke the door in.

Mr. RICE. Broke the door in.

Mr. ROSENBAUM. Yes.

Mr. RICE. Who is they?

Mr. ROSENBAUM. Police.

Mr. RICE. What were you doing in there?

Mr. ROSENBAUM. An office.

Mr. RICE. An office?

Mr. ROSENBAUM. Yes.

Mr. RICE. What was going on in there?

Mr. ROSENBAUM. It was last March 15.

Mr. RICE. 1950?

Mr. ROSENBAUM. That is right. I just had my papers made out to send to Uncle Sam.

Mr. RICE. You were doing the same thing you do in Cincinnati, weren't you?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. Taking action, lay-offs?

Mr. ROSENBAUM. Yes.

Mr. RICE. What did they do to you as a result of that situation?

Mr. ROSENBAUM. What did they do to me?

Mr. RICE. Yes. Did you pay a fine?

Mr. ROSENBAUM. I don't think so.

Mr. RICE. You don't know?

Mr. ROSENBAUM. I don't think so.

Mr. RICE. You ought to move to Chicago.

Mr. ROSENBAUM. I don't think there was any fine. I would have to think. I don't think so.

Mr. RICE. What became of that thing? Did you do any time?

Mr. ROSENBAUM. Oh, no. I don't do anything to give me time.

Mr. RICE. Did they take you down to the station house?

Mr. ROSENBAUM. Yes.

Mr. RICE. And booked you?

Mr. ROSENBAUM. Yes.

Mr. RICE. How did you get out?

Mr. ROSENBAUM. How did I get out? I don't know. Let me see how that was. My lawyer took care of that.

Mr. RICE. Mouthpiece?

Mr. ROSENBAUM. That is right.

Mr. RICE. Then what happened to the charge? Just tell us. You know what happened.

Mr. ROSENBAUM. No, sir; I don't remember exactly. There was nothing to it.

Mr. RICE. Nothing to it?

Mr. ROSENBAUM. I don't think so. I don't remember exactly.

Mr. RICE. You paid a fine; didn't you?

Mr. ROSENBAUM. I don't recall, to tell you the truth.

Mr. RICE. As a matter of fact, it was so small it didn't make any difference to you?

Mr. ROSENBAUM. No. I don't know I even remember what it was.

Mr. RICE. Did you ever go in front of a judge on it?

Mr. ROSENBAUM. Yes.

Mr. RICE. What did the judge say?

Mr. ROSENBAUM. I think it was a dismissed case.

Mr. RICE. You can't remember; can you?

Mr. ROSENBAUM. I beg you pardon?

Mr. RICE. You can't remember?

Mr. ROSENBAUM. I am nearly sure it was.

Mr. RICE. You went to Cincinnati anyhow after that; didn't you?

Mr. ROSENBAUM. You had to go some place if you wanted a telephone.

Senator TOBEY. I think, Mr. Chairman, I would add a footnote there—good riddance of bad rubbish.

Mr. RICE. When you got to Cincinnati and set up over there at this place over in Kentucky, who kept your books? Who takes care of your books and records?

Mr. ROSENBAUM. Now?

Mr. RICE. Now or then.

Mr. ROSENBAUM. Larry Donelly.

Mr. RICE. Who?

Mr. ROSENBAUM. Donelly.

Mr. RICE. Does he still keep your books?

Mr. ROSENBAUM. No; he keeps his own.

Mr. RICE. Keeps his own?

Mr. ROSENBAUM. Yes.

Mr. RICE. Who keeps yours?

Mr. ROSENBAUM. He is deceased.

Mr. RICE. And who is your bookkeeper now?

Mr. ROSENBAUM. Foreman.

Mr. RICE. What is the name?

Mr. ROSENBAUM. Foreman.

Mr. RICE. F-o-r-e-m-a-n?

Mr. ROSENBAUM. Yes.

Mr. RICE. What is his first name?

Mr. ROSENBAUM. Norman.

Mr. RICE. Where does Norman Foreman have his office?

Mr. ROSENBAUM. Him and his brother—his brother is in Albuquerque, N. Mex.

Mr. RICE. In Albuquerque, and his brother?

Mr. ROSENBAUM. I mean his brother takes care of my books. There is a daily book and a yearly book.

Mr. RICE. That is what I want, the daily book first. Who keeps your daily book?

Mr. ROSENBAUM. Norman Foreman right now.

Mr. RICE. Where is Norman Foreman?

Mr. ROSENBAUM. In Cincinnati.

Mr. RICE. What does he use for a desk? Where does he work out of?

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't know?

Mr. ROSENBAUM. He is using a desk right now with me.

Mr. RICE. Right in this hospitalization place, isn't he?

Mr. ROSENBAUM. Yes, just about a month.

Mr. RICE. He keeps the daily book?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. Now, then, when you settle up at the end of the year for tax purposes, who keeps your other books on that?

Mr. ROSENBAUM. He and his brother.

Mr. RICE. He and his brother, and the brother is in Albuquerque?

Mr. ROSENBAUM. Yes.

Mr. RICE. What is his brother's name?

Mr. ROSENBAUM. Milton.

Mr. RICE. Milton?

Mr. ROSENBAUM. Yes.

Mr. RICE. What do you do—send the books out there or does Milton come in?

Mr. ROSENBAUM. Milton comes in.

Mr. RICE. Do you pay him for that?

Mr. ROSENBAUM. Yes, sir. He is a certified——

Mr. RICE. What was your income last year?

Mr. ROSENBAUM. Nothing last year.

Mr. RICE. How about the year before, 1949, approximately?

Mr. ROSENBAUM. No good.

Mr. RICE. You don't know?

Mr. ROSENBAUM. It was no good in 1949 and 1950.

Mr. RICE. No good. What was it in 1949?

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't what?

Mr. ROSENBAUM. I don't know what it was in 1949 and 1948.

Mr. RICE. Approximately what was it?

Mr. ROSENBAUM. I don't know. I couldn't tell you.

Mr. RICE. Can you remember any year what your income was? How about a good year? Did you have a good year?

Mr. ROSENBAUM. Yes.

Mr. RICE. What good years did you have?

Mr. ROSENBAUM. I think 1947 and 1948.

Mr. RICE. How much did you make in 1947?

Mr. ROSENBAUM. I don't know exactly, but it was good.

Mr. RICE. How much?

Mr. ROSENBAUM. I paid close to two hundred income tax.

The CHAIRMAN. Two hundred what?

Mr. ROSENBAUM. Two hundred thousand.

The CHAIRMAN. Two hundred thousand dollars?

Mr. ROSENBAUM. Yes.

Mr. RICE. How much was your total net?

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't know, but whatever it was you paid \$200,000 income tax?

Mr. ROSENBAUM. In that neighborhood.

Mr. RICE. What did you pay last year?

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't know?

Mr. ROSENBAUM. No. I have a bookkeeper. It was no good, I know. It might have been very small.

Mr. RICE. Very small?

Mr. ROSENBAUM. One way or the other.

Mr. RICE. How small is small?

Mr. ROSENBAUM. I don't know. I don't remember, unless you want me to dream one up.

Mr. RICE. What would be your best guess now what you made last year?

Mr. ROSENBAUM. Why guess when I don't know. I would only be guessing right or wrong.

Mr. RICE. You guess on these horses sometimes. Guess on your income.

Mr. ROSENBAUM. I don't guess on horses. It is a reasoned guess.

Mr. RICE. A reasoned guess. You know what they are going to do, don't you?

Mr. ROSENBAUM. I beg your pardon?

Mr. RICE. You know what they are going to do, don't you?

Mr. ROSENBAUM. Yes; I know exactly what they are going to do—going to eat.

Mr. RICE. Let us know what your income was last year.

Mr. ROSENBAUM. I don't know.

Mr. RICE. Was it \$100,000?

Mr. ROSENBAUM. Less.

Mr. RICE. Fifty thousand?

Mr. ROSENBAUM. I don't know.

Mr. RICE. Between fifty and a hundred?

Mr. ROSENBAUM. No; it was a whole lot less than that.

Mr. RICE. What?

Mr. ROSENBAUM. It either was a loss or I made a little money, I don't know which. It wasn't much of anything either way.

Mr. RICE. You just finished filing your return on the 15th of January, didn't you?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. What was your income for 1950, then?

Mr. ROSENBAUM. I couldn't tell you unless you want me to lie, and I ain't going to do that.

Mr. RICE. Was it more than \$20,000?

Mr. ROSENBAUM. I couldn't tell you. I would be lying if I would tell you.

Mr. RICE. Can you come within \$10,000 of what it was?

Mr. ROSENBAUM. I couldn't come within 10 cents. I wouldn't know. I don't look at the books.

Senator TOBEY. What is your net worth? What are you worth today, net?

Mr. ROSENBAUM. A little over a hundred, I guess.

Senator TOBEY. A little over a hundred thousand?

Mr. ROSENBAUM. Yes.

Senator TOBEY. After paying all your liabilities, and considering all your assets, you would only be worth \$100,000?

Mr. ROSENBAUM. Yes; a little over a hundred. I don't know exactly. I don't know exactly there, either. How much money have I got in my pocket? I don't know.

Senator TOBEY. You keep books, do you?

Mr. ROSENBAUM. Yes.

Senator TOBEY. Showing all income and outgo?

Mr. ROSENBAUM. Oh, yes; but my bookkeeper does that; I don't look at it.

Senator TOBEY. You trust him entirely, do you?

Mr. ROSENBAUM. Yes. You have your methods of doing business with people that you allow anything to. They are proven honest. That is the way I do.

The CHAIRMAN. What do you pay this auditor for coming from Albuquerque to fix up your income-tax return? How much do you pay him per trip?

Mr. ROSENBAUM. I don't know. About \$600, something like that.

The CHAIRMAN. About \$600?

Mr. ROSENBAUM. Something like that—\$600. I don't know exactly. My brother takes care of that.

The CHAIRMAN. Your brother takes care of all your books?

Mr. ROSENBAUM. My brother takes care of——

The CHAIRMAN. All the payments and details, is that it?

Mr. ROSENBAUM. Things like that.

The CHAIRMAN. It is your brother-in-law, isn't it?

Mr. ROSENBAUM. Yes. I got a brother-in-law and a brother—Harry, Dave, Meyer. I got five of them.

The CHAIRMAN. Are they all in business with you?

Mr. ROSENBAUM. No.

The CHAIRMAN. How many are in business with you?

Mr. ROSENBAUM. Harry and Dave.

The CHAIRMAN. Harry and Dave?

Mr. ROSENBAUM. Yes. Stocks, you know.

The CHAIRMAN. How many are in this commission business with you?

Mr. ROSENBAUM. The three.

The CHAIRMAN. Harry and Dave and you?

Mr. ROSENBAUM. That is right.

The CHAIRMAN. Which is the other one?

Mr. ROSENBAUM. All three.

The CHAIRMAN. What other business do you have, any other business?

Mr. ROSENBAUM. I haven't got any business now outside of breeding, buying, selling, and stocks.

The CHAIRMAN. Buying and selling stocks on the exchange, is that it?

Mr. ROSENBAUM. Well, not exactly. Grains.

The CHAIRMAN. What?

Mr. ROSENBAUM. Grains.

The CHAIRMAN. Commodities?

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. Cotton and corn?

Mr. ROSENBAUM. That is right.

The CHAIRMAN. Wheat. Do you come out pretty well on that?

Mr. ROSENBAUM. Well, I have done all right.

The CHAIRMAN. You were in the garment-manufacturing business. What did you manufacture?

Mr. ROSENBAUM. I never was in it, never in that business.

The CHAIRMAN. Well, you were in the clothing business?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. What kind of clothing?

Mr. ROSENBAUM. Men's clothing.

The CHAIRMAN. You mean you had a store?

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. At Cincinnati?

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. Now you did business in Chicago until you left Chicago to come to Newport. Where else did you ever have a commission office like this?

Mr. ROSENBAUM. In Elmwood.

The CHAIRMAN. Elmwood where—what State?

Mr. ROSENBAUM. That is in Ohio.

The CHAIRMAN. Where else?

Mr. ROSENBAUM. That is all.

The CHAIRMAN. Just those three places?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. But you have been in this sort of business for quite a number of years, haven't you?

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. How many years have you been in it?

Mr. ROSENBAUM. About 20 years.

The CHAIRMAN. About 20 years?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. How many horses do you own today?

Mr. ROSENBAUM. Oh, I got, I have about seven or eight.

The CHAIRMAN. You have seven or eight horses today?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. Where are those horses?

Mr. ROSENBAUM. They are all mares and weanlings and yearlings.

Senator TOBEY. Have you got any stallions?

Mr. ROSENBAUM. No, sir.

The CHAIRMAN. You race your own horses?

Mr. ROSENBAUM. Beg your pardon?

The CHAIRMAN. You put your own horses in races, don't you?

Mr. ROSENBAUM. Do I what?

The CHAIRMAN. Race your own horses.

Mr. ROSENBAUM. No, sir.

The CHAIRMAN. But your brother-in-law has a stable, hasn't he?

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. And how many horses does he have?

Mr. ROSENBAUM. He hasn't got any now.

The CHAIRMAN. He races horses, doesn't he?

Mr. ROSENBAUM. He did.

The CHAIRMAN. I mean he did last season, for instance?

Mr. ROSENBAUM. Early last year; yes.

The CHAIRMAN. Yes. And this is the brother who is in business with you?

Mr. ROSENBAUM. He has got——

The CHAIRMAN. Well, all of you have horses, as a matter of fact, don't you?

Mr. ROSENBAUM. Yes; we are all together on the horses.

The CHAIRMAN. Which brother has the stable?

Mr. ROSENBAUM. Dave.

The CHAIRMAN. And does he race horses at the Fairgrounds at New Orleans?

Mr. ROSENBAUM. Not no more.

The CHAIRMAN. He races them all around, or used to, didn't he?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. And some of the money you would have would be bet on these horses sometimes, would it?

Mr. ROSENBAUM. Have I bet on them?

The CHAIRMAN. Yes.

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. You bet on the horses?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. And then you would receive bets on the horses, would you not, from other commissioners?

Mr. ROSENBAUM. Sometimes they tried to steal it.

The CHAIRMAN. What?

Mr. ROSENBAUM. They tried to beat you to the punch.

The CHAIRMAN. What do you mean they tried to beat you?

Mr. ROSENBAUM. Well, you get a tip on them buying a piece of property that is going to be all right, and there is always a leak, you know—either somebody's agent. It gets out.

The CHAIRMAN. You mean sometimes you have got maybe——

Mr. ROSENBAUM. A horse you are going to bet on and somebody takes the play.

The CHAIRMAN. Sometimes you know what a horse you have is going to do and they might get the information and beat you to the punch; is that it?

Mr. ROSENBAUM. That is right.

The CHAIRMAN. Is that the way you operate?

Mr. ROSENBAUM. It happens.

The CHAIRMAN. If you are betting on your brother's horses, and all of you have horses in these races, you know pretty well what they are going to do, don't you?

Mr. ROSENBAUM. What do you mean by all of us?

The CHAIRMAN. You say you are all in this horse business together. You would have a pretty good idea about what your brother's horses are going to be able to do, wouldn't you?

Mr. ROSENBAUM. You think you have. You fall in love with them the same as a man falls in love with a dog.

The CHAIRMAN. You know whether they are going to run a good race or a bad race; don't you?

Mr. ROSENBAUM. I am just trying to explain that. You fall in love with them and you think they are going to do good but they don't.

The CHAIRMAN. Since your brother owns the horses, you would have a better idea of what they were going to do than some fellow who didn't know anything about them; would you not?

Mr. ROSENBAUM. No. I have made out well without my brother's horse. I would be in bad shape. I don't think he has done any good in 2 years.

The CHAIRMAN. Now these horses you have, do you breed race horses and sell them?

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. To whom do you sell them?

Mr. ROSENBAUM. Anybody.

The CHAIRMAN. Where is this farm you have—or do you have one?

Mr. ROSENBAUM. I board them.

The CHAIRMAN. You board them?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. Do you have some valuable horses, mares?

Mr. ROSENBAUM. Yes, sir; I think they are.

The CHAIRMAN. Where do you board them?

Mr. ROSENBAUM. Different farms, some in Lexington, some in—what is the name of that place?

The CHAIRMAN. Calumet Farms. Do you board any there?

Mr. ROSENBAUM. No; they don't board.

The CHAIRMAN. What farms do you board them at?

Mr. ROSENBAUM. Well, I have at Duntreath.

The CHAIRMAN. Duntreath?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. Where is that—Lexington?

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. Where else have you boarded them?

Mr. ROSENBAUM. Gaines farm. What is the name of that?

The CHAIRMAN. You ought to be able to remember where you boarded your horses.

Mr. ROSENBAUM. I can't remember the names; I beg your pardon.

The CHAIRMAN. You ought to be able to remember where you boarded your horses.

Mr. ROSENBAUM. I just haven't got the head. I can't remember everything. Gaines owns it. I will tell you that.

The CHAIRMAN. What?

Mr. ROSENBAUM. Marvin Gaines owns it, I think.

The CHAIRMAN. Marvin Gaines owns what?

Mr. ROSENBAUM. The farm where I keep the horses.

The CHAIRMAN. How many people like Mr. Remer and Mr. Cogan did you have working for you last year?

Mr. ROSENBAUM. I don't think of any more. I don't remember any offhand.

The CHAIRMAN. Sometimes you have more than two people; don't you?

Mr. ROSENBAUM. Yes; I have had more.

The CHAIRMAN. Anyway, you have somebody at every big track in the country; don't you?

Mr. ROSENBAUM. I wish I had. What did you say?

The CHAIRMAN. During a good season you have somebody at every big track in the country when they are running?

Mr. ROSENBAUM. Yes; if I can get them there.

The CHAIRMAN. That is right; isn't it?

Mr. ROSENBAUM. Yes. It makes you feel better. You know you feel a little stronger that you can protect yourself.

The CHAIRMAN. Feel stronger that you can protect yourself?

Mr. ROSENBAUM. That is right.

The CHAIRMAN. How do you protect yourself by having a man at a track?

Mr. ROSENBAUM. Well, if somebody just like to beat you to the punch, and you are holding out until the last minute—for instance, you are holding up an order to bet to the last minute, and somebody beats you to the punch, and when you go to move your order, and you got a thousand dollars for the horse, instead of moving it, you can't move it, because somebody has beat you to the punch. So you use the race track where they don't say "no," where the bookmakers would say "no."

The CHAIRMAN. In other words, if you think you have got too much money on a horse, and you think the horse is going to win, and you can't lay off with the bookmaker, you can always call this man and let him bet at the track, then; is that right?

Mr. ROSENBAUM. Yes, sir.

The CHAIRMAN. Sort of insurance?

Mr. ROSENBAUM. Yes. It doesn't pay, because you can do better by eliminating all that expense, and nobody hears of you, and that's

the people that really wind up with the money in the business. It is the expense that eats you up.

The CHAIRMAN. If a horse is your brother's horse, or somebody else's, and you have a pretty good idea what the horse is going to do, then you would be pretty apt to keep the bet yourself; wouldn't you?

Mr. ROSENBAUM. You don't get that. There has got to be somebody out there tipping. You don't get them. They are only dreams.

The CHAIRMAN. I can't understand why you would go to the trouble of spending 10 or 15 thousand dollars a year to pay Cogan and Reimer——

Mr. ROSENBAUM. I didn't pay that.

The CHAIRMAN. I know. I mean their salary and also their expenses on transportation, and they testify that over a meet they never win any money.

Mr. ROSENBAUM. There has been meetings where they might beat it for a little bit, but you go to the next track——

The CHAIRMAN. Usually they lose money?

Mr. ROSENBAUM. As a really rule, it is a losing proposition.

The CHAIRMAN. Then you are paying them \$10,000, or whatever the amount is——

Mr. ROSENBAUM. It costs you that or more.

The CHAIRMAN. It does cost you that; does it?

Mr. ROSENBAUM. It costs you that or more, with the expenses, and somebody always doing you a favor, and it costs you.

The CHAIRMAN. But it costs you at least \$10,000 to have them there to lose money?

Mr. ROSENBAUM. It sounds ridiculous.

The CHAIRMAN. Yes. Why would you do that?

Mr. ROSENBAUM. Well, it is somebody else's money all the time. [Laughter.]

The CHAIRMAN. That is a pretty good answer. But I mean, why do you feel it is good for your business to have them there?

Mr. ROSENBAUM. It's accommodations. The ego in everybody that you want to be somebody, you know.

The CHAIRMAN. That is not a very good answer. You wouldn't have \$10,000 worth of ego a year.

Mr. ROSENBAUM. Somebody pays for that.

The CHAIRMAN. What is that?

Mr. ROSENBAUM. It is somebody else's money.

The CHAIRMAN. I know, but you are paying these fellows out of your pocket.

Mr. ROSENBAUM. Yes, but it has some kind of earning power.

The CHAIRMAN. It has some kind of earning power for you to pay \$10,000 for them to lose money?

Mr. ROSENBAUM. You know they say certain games are a dead even thing, but the fellow that plays, or vice versa, there is a loss.

The CHAIRMAN. The thing is that on certain horses where you might stand to have a big loss, you minimize or reduce the possible loss you are going to have by getting these fellows to bet money when you can't play with the bookmakers?

Mr. ROSENBAUM. You are talking about bookmakers.

The CHAIRMAN. So you keep the good bets yourself.

Mr. ROSENBAUM. There are no more bookmakers.

The CHAIRMAN. What?

MR. ROSENBAUM. I don't think there are any more bookmakers.

The CHAIRMAN. Not any more bookmakers?

MR. ROSENBAUM. No.

The CHAIRMAN. You don't think there are any more?

MR. ROSENBAUM. No.

The CHAIRMAN. Since when?

MR. ROSENBAUM. Well, I don't think there are any real bookmakers in the last 2 years. They step in and out, and they go out for fresh money. You can't call them bookmakers. They don't stay long enough in money.

The CHAIRMAN. Let's take a time when there were bookmakers, say, 2 or 3 years ago. When would it come to the time when you would get in touch with Cogan or Remer to bet \$2,000 on a horse? What would be the situation that would cause you to call them to bet \$2,000 on a horse in the pari-mutuels?

MR. ROSENBAUM. It would depend on the handle of the race track. It wouldn't matter much to a 3 to 1 shot in a place like Monmouth or Garden State, New York, or the west coast, where the handle is big.

The CHAIRMAN. But if there is a small handle, then you put a certain amount of money on the horse?

MR. ROSENBAUM. You would hurt the price.

The CHAIRMAN. But the amount of money on the horse reduces the odds quickly; doesn't it?

MR. ROSENBAUM. Yes.

The CHAIRMAN. Why would you want to reduce the odds on a particular horse?

MR. ROSENBAUM. Not from my say-so. It would be somebody else would call you up and say, "Here is \$2,000. Put in \$1,500." Or something like that. "Here is a thousand. Put in \$800." Something like that.

The CHAIRMAN. I know, but why would you want to reduce the odds?

MR. ROSENBAUM. I don't want to reduce it. It is just like the man gives you a thousand dollars, and tells you to put it in. A man calls you up and says, "Here is a thousand on this horse. Put \$800 of it in."

The CHAIRMAN. Mr. Rice, see if you can get this clear. You know more about horses than I do.

MR. ROSENBAUM. Well, you might as well learn.

MR. RICE. Here is the expert out here.

I think it is a fair statement to say that when you have a substantial amount on a horse that is going at 30 to 1, that what you call to the track wouldn't be the total amount you are holding, but part of that. Say you had \$10,000 on a horse going a 30 to 1, you would only call in a thousand or two; wouldn't you? You wouldn't take your whole \$10,000; would you?

Do you want to use your pencil?

MR. ROSENBAUM. I want to use a needle, or something.

MR. RICE. A needle?

MR. ROSENBAUM. \$10,000 on a 30 to 1?

MR. RICE. Use that for an illustration. They have laid it off to you. You are holding \$10,000 on a horse going at 30 to 1.

MR. ROSENBAUM. Let's make it in reason.

MR. RICE. Pick out something reasonable.

Mr. ROSENBAUM. Say a thousand, or \$1,500. You are talking too big figures for me.

Mr. RICE. All right. You have a thousand dollars bet with you.

Mr. ROSENBAUM. Yes.

Mr. RICE. And the horse is going at 30 to 1.

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. And you are going to call Cogan.

Mr. ROSENBAUM. Yes.

Mr. RICE. How much will you give Cogan to bet? How much would tell him to bet?

Mr. ROSENBAUM. It depends on the race track.

Mr. RICE. It depends on the track. Say it is a small track. Say it is Fair Grounds.

Mr. ROSENBAUM. Yes. Oh, about—on a 30 to 1 shot?

Mr. RICE. Yes.

Mr. ROSENBAUM. Eight hundred.

Mr. RICE. So you give \$800 of your thousand to him on the 30 to 1, and that will drop the odds?

Mr. ROSENBAUM. If I wanted to keep two.

Mr. RICE. You will keep the \$200, and then if the horse wins, you have to pay off on the \$200 that you kept, but you don't have to pay the odds, say, 3 to 1 on the \$200 you kept, and Cogan will go up to the window and cash tickets?

Mr. ROSENBAUM. That is right.

Mr. RICE. At 30 to 1 on \$800.

He keeps himself from getting hurt on the \$200 he kept.

The CHAIRMAN. I see.

Mr. RICE. And all the other money he had on other horses, if any, he just keeps that. Say he had \$1,000 on three other horses; he keeps that. So it minimizes his losses.

The CHAIRMAN. Then actually you get the benefit of what the track takes out for taxes, and parimutuel expense in the long run. Is that what you get?

Mr. ROSENBAUM. Yes. You mean if they take 10 or 15 percent?

The CHAIRMAN. Yes.

Mr. ROSENBAUM. I got that going for me. Is that what you mean?

The CHAIRMAN. Yes. So you actually make that then yourself?

Mr. ROSENBAUM. The 15 percent?

The CHAIRMAN. Yes.

Mr. ROSENBAUM. If you would get enough action, it would be all right, but you don't get it.

The CHAIRMAN. What is the "scalp"?

Mr. ROSENBAUM. A "scalp"?

The CHAIRMAN. Yes.

Mr. ROSENBAUM. In a scalp, you pay 15 to 1 across to any bookmaker that would lay off to you, or anybody. That is the price all over the country, as a rule. If you put it in at a race track—say a fellow gives you \$200, you say, "I will split it with you." So you give him \$100. If the horse pays \$40, I get the difference between \$32 and \$40 for \$100. But there ain't enough of that.

Mr. RICE. You used to pay what? Ten and eight? Now you pay \$15. So if the horse paid \$40 to \$1, you would pay anybody betting with you \$15?

Mr. ROSENBAUM. That is right.

Mr. RICE. And the difference between the 15 and the 40 is "scalp," isn't it?

Mr. ROSENBAUM. No; there is some places they pay track odds for \$2.

Mr. RICE. We are not talking about track odds. You are paying 15 as the most on a winner, aren't you?

Mr. ROSENBAUM. That is all I would pay.

Mr. RICE. That is all you pay.

Mr. ROSENBAUM. Yes.

Mr. RICE. So if you put it into the track, and the track actually paid, say 40 to 1, you would get a substantial return over the 15 to 1 which you would pay someone who played with you. You wouldn't pay track odds, but would get track odds?

Mr. ROSENBAUM. That is right.

Mr. RICE. That is the "scalp"?

Mr. ROSENBAUM. Yes.

Mr. RICE. Why use that term? Who made that up?

Mr. ROSENBAUM. You are scalping the difference, see. If you put in \$200, you have invested nothing, and you get \$4,000 back. You only pay off \$32. You have paid out no investment. You have made no chance of winning or losing. You have made \$800. The fellow that gives you says 50-50. That is what they usually do. So you have made \$400 apiece.

Mr. RICE. You have "scalped" somebody?

Mr. ROSENBAUM. You scalp them.

Mr. RICE. What we were interested in, too—you take lay-off money coming from, say St. Louis, over the telephone?

Mr. ROSENBAUM. Yes.

Mr. RICE. You know the person you are dealing with.

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. And you know his credit is good. Now, then, at the end of the day do you settle up with him, or at the end of the week?

Mr. ROSENBAUM. No particular time. It varies when you do business with a man every day, and usually the same people.

Mr. RICE. Suppose you get into a position where he owed you more money than you wanted to extend him credit for, and you wanted to settle up? How would you do that?

Mr. ROSENBAUM. You owe me \$15,000 and I think it is more than you can pay?

Mr. RICE. Yes.

Mr. ROSENBAUM. Send me a check for ten.

Mr. RICE. He sends you a check for part?

Mr. ROSENBAUM. For ten. If you want to, you can send me a check for all. I can use the fifteen.

Mr. RICE. I send you my check for ten, and I still owe you five, and keep on playing; is that right?

Mr. ROSENBAUM. That is right.

Mr. RICE. Do I send that through the mail to you?

Mr. ROSENBAUM. Yes.

Mr. RICE. Where do I mail that to you?

Mr. ROSENBAUM. Cincinnati, box 35.

Mr. RICE. Box 35?

Mr. ROSENBAUM. Or any place you want it.

Mr. RICE. To whom do I address that? Any place I want it?

Mr. ROSENBAUM. Yes, you can send it to Oshkosh. What difference does it make. Wherever your address is. You asked me where I would send it, and I said box 35.

Mr. RICE. So I send it to you at box 35, Cincinnati, Louis Rosenbaum?

Mr. ROSENBAUM. That is right.

Mr. RICE. You get my check. What do you do with it?

Mr. ROSENBAUM. Deposit it or cash it.

Mr. RICE. Where do you deposit it?

Mr. ROSENBAUM. I deposit it at the Peoples Bank.

Mr. RICE. The Peoples Bank in Cincinnati?

Mr. ROSENBAUM. Yes.

Mr. RICE. In an account in your name?

Mr. ROSENBAUM. No.

Mr. RICE. What is the account name?

Mr. ROSENBAUM. Maurice Miller.

Mr. RICE. Your brother-in-law?

Mr. ROSENBAUM. That is right.

Mr. RICE. If I would draw a check, what do I make it payable to?

Mr. ROSENBAUM. Louis Rosenbaum.

Mr. RICE. Louis Rosenbaum. Then you get it from box 35?

Mr. ROSENBAUM. I don't get it.

Mr. RICE. Somebody gets it?

Mr. ROSENBAUM. Yes.

Mr. RICE. And then you rubber-stamp it?

Mr. ROSENBAUM. Yes.

Mr. RICE. With Louis Rosenbaum, and Maurice Miller endorses it and it goes into his account?

Mr. ROSENBAUM. That is right.

Mr. RICE. Now, how do you handle that? It is your money, isn't it?

Mr. ROSENBAUM. Yes.

Mr. RICE. Suppose Maurice Miller checks it out. How do you control him?

Mr. ROSENBAUM. You just don't leave that much in there.

Mr. RICE. You just don't leave that much in there?

Mr. ROSENBAUM. You just have to take that chance.

Mr. RICE. Just take a chance?

Mr. ROSENBAUM. I don't think of them things.

Mr. RICE. Why don't you have an account in your own name?

Mr. ROSENBAUM. I have.

Mr. RICE. Why don't you put it in that account?

Mr. ROSENBAUM. But it is in Chicago, and not very handy.

Mr. RICE. In Chicago?

Mr. ROSENBAUM. Yes.

Mr. RICE. Are any banks in Cincinnati opposed to accounts?

Mr. ROSENBAUM. No. I just always had it there.

Mr. RICE. What bank in Chicago?

Mr. ROSENBAUM. La Salle National.

Mr. RICE. And so the money is transferred from Maurice Miller to the La Salle National, isn't it?

Mr. ROSENBAUM. I beg your pardon?

Mr. RICE. The money that is coming to you from these people goes from the Maurice Miller account in Cincinnati to your account

in La Salle in Chicago; is that right? How do you get your money from Maurice Miller? It is your money.

Mr. ROSENBAUM. It is never there. You take it from—well, there is never enough there.

Mr. RICE. There is never enough there, and these people are paying you what they owe?

Mr. ROSENBAUM. How about we paying the fellows? I have to send them checks, too. It isn't a one-way proposition.

Mr. RICE. It is a one-way proposition. You always pay it out, is that it?

Mr. ROSENBAUM. I haven't made any money in 2 years.

Mr. RICE. When you were making money.

Mr. ROSENBAUM. I got a partner.

Mr. RICE. I think we understand it.

Let's put it on the other foot, then. You are losing money so that you owe these people some money. How do you straighten up with them?

Mr. ROSENBAUM. By check.

Mr. RICE. By check?

Mr. ROSENBAUM. Yes.

Mr. RICE. Now, then, what account?

Mr. ROSENBAUM. Maurice Miller.

Mr. RICE. Maurice Miller?

Mr. ROSENBAUM. Yes.

Mr. RICE. So you instruct Maurice Miller to draw a check to whom?

Mr. ROSENBAUM. I beg your pardon?

Mr. RICE. Do you have him draw it to cash or an individual? Suppose it is Mooney?

Mr. ROSENBAUM. Yes.

Mr. RICE. Yes, what? Do you tell Maurice Miller to draw a check to John Mooney?

Mr. ROSENBAUM. To make out a check to Morris Mooney?

Mr. RICE. To John Mooney. To make a check to John Mooney.

Mr. ROSENBAUM. That is right.

Mr. RICE. What does he do with it?

Mr. ROSENBAUM. Who—John Mooney?

Mr. RICE. How does it get to Mooney. Do you send a messenger out there with it?

Mr. ROSENBAUM. He sends it—wires it.

Mr. RICE. You wire it?

Mr. ROSENBAUM. Oh, no. I mean just mails it to him.

Mr. RICE. Mails it to him. Sends it through the mail?

Mr. ROSENBAUM. Yes.

Mr. RICE. Now how do you know where John Mooney is?

Mr. ROSENBAUM. Well, he has an address.

Mr. RICE. He has a box number, too, doesn't he?

Mr. ROSENBAUM. I think so.

Mr. RICE. What box number is that?

Mr. ROSENBAUM. I wouldn't know.

Mr. RICE. Do you have a record of it?

Mr. ROSENBAUM. I think so.

Mr. RICE. Do you have a record of the names and addresses of all these people you do business with?

Mr. ROSENBAUM. And addresses?

Mr. RICE. Yes.

Mr. ROSENBAUM. Yes.

Mr. RICE. Where is that?

Mr. ROSENBAUM. Of all the people I do business with?

Mr. RICE. Yes.

Mr. ROSENBAUM. Either a post-office box or an address of street.

Mr. RICE. Where do you keep that record?

Mr. ROSENBAUM. We know, my God, some of them by memory.

Mr. RICE. What one do you know by memory.

Mr. ROSENBAUM. Mooney.

Mr. RICE. Mooney. What is that? What is his address by memory?

Mr. ROSENBAUM. 822 Pine Street.

Mr. RICE. 822 Pine Street, St. Louis?

Mr. ROSENBAUM. That is right.

Mr. RICE. Who else do you know by memory?

Mr. ROSENBAUM. Dobkin.

Mr. RICE. What is Dobkin's first name?

Mr. ROSENBAUM. Edward.

Mr. RICE. Edward Dobkin in Chicago?

Mr. ROSENBAUM. Yes.

Mr. RICE. What address do you straighten up with him at?

Mr. ROSENBAUM. Box 914.

Mr. RICE. Box 914 in Chicago?

Mr. ROSENBAUM. Yes.

Mr. RICE. Who else?

Mr. ROSENBAUM. I can't think.

Mr. RICE. Dobkin and Mooney are the only ones you can remember?

Mr. ROSENBAUM. I can't think of all the people you do business with, you know, unless you look.

Mr. RICE. Where do you keep the records of all the people you do business with?

Mr. ROSENBAUM. In the books.

Mr. RICE. Where is the book?

Mr. ROSENBAUM. In Cincinnati.

Mr. RICE. In what office?

Mr. ROSENBAUM. With the bookkeeper.

Mr. RICE. In the place on West Fourth Street?

Mr. ROSENBAUM. That is right.

Mr. RICE. At West Fourth Street do you have a ticker to get race results?

Mr. ROSENBAUM. No.

Mr. RICE. How do they get the results?

Mr. ROSENBAUM. Service.

Mr. RICE. Service?

Mr. ROSENBAUM. Yes.

Mr. RICE. How do you get it—over the telephone?

Mr. ROSENBAUM. No; speaker.

Mr. RICE. Speaker. You have an audio right in the place—a speaker?

Mr. ROSENBAUM. Yes.

Mr. RICE. And you get the run-down on the odds as the races come up?

Mr. ROSENBAUM. Very little.

Mr. RICE. How do you know what the odds are? You get them over the speaker, don't you?

Mr. ROSENBAUM. No; you don't get it.

Mr. RICE. You don't get it?

Mr. ROSENBAUM. You don't get it—approximate odds.

Mr. RICE. You heard Remer say he never told you what the prices were or what the odds were on the races at Bowie; you already knew that and you were telling him.

Mr. ROSENBAUM. You get service; that is right.

Mr. RICE. You get the service?

Mr. ROSENBAUM. Yes. You are talking about Bowie. I am referring to that right now.

Mr. RICE. Where did you get the service?

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't know?

Mr. ROSENBAUM. I have nothing to do with that.

Mr. RICE. You have nothing to do with it?

Mr. ROSENBAUM. That is where I don't—

Mr. RICE. That is where you don't what?

Mr. ROSENBAUM. I just pay the rent.

Mr. RICE. You just pay the rent?

Mr. ROSENBAUM. That is right.

Mr. RICE. Who arranges for service?

Mr. ROSENBAUM. I have done business with the service direct, but I don't do it now.

Mr. RICE. Who did you do business with in the wire service?

Mr. ROSENBAUM. Who?

Mr. RICE. What company or what man?

Mr. ROSENBAUM. Now?

Mr. RICE. Any time.

Mr. ROSENBAUM. In Chicago I do business with a firm—I don't remember their names.

Mr. RICE. Who did you do business with in Chicago?

Mr. ROSENBAUM. I don't remember their names.

Mr. RICE. Tony Accardo? Jack Guzik? You said you got service from someone. Who did you get it from?

Mr. ROSENBAUM. You didn't mention any names I know of.

Mr. RICE. You tell me who you got it from.

Mr. ROSENBAUM. Some company. I don't know.

Mr. RICE. Was it R. & H.?

Mr. ROSENBAUM. I think H. & R. R., R. & H., something like that.

Mr. RICE. Trans-America?

Mr. ROSENBAUM. H. & R., I think it is.

Mr. RICE. Who did you do business with in H. & R.?

Mr. ROSENBAUM. I don't know. I told them to put it in and I used to send a check.

Mr. RICE. How about Continental? Did you do business with Continental?

Mr. ROSENBAUM. No. I don't know them. I don't know the other ones either.

Mr. RICE. Who do you get your service from in Cincinnati?

Mr. ROSENBAUM. Right with the office.

Mr. RICE. Who arranges for that?

Mr. ROSENBAUM. This Max.

Mr. RICE. Max?

Mr. ROSENBAUM. Something.

Mr. RICE. Max something?

Mr. ROSENBAUM. I called his name before.

The CHAIRMAN. You said Slackman a little while ago.

Mr. ROSENBAUM. That is it, Slackman.

Mr. RICE. He is on your payroll?

Mr. ROSENBAUM. No, sir.

Mr. RICE. Why pays him?

Mr. ROSENBAUM. I don't know.

Mr. RICE. Do you get your service from Slackman or does he arrange for it?

Mr. ROSENBAUM. The service is already there.

The CHAIRMAN. Do you pay Slackman for your office, too?

Mr. ROSENBAUM. No, I send a check for the rent—is all I pay.

The CHAIRMAN. Who do you send the check to for the rent?

Mr. ROSENBAUM. A man by the name of Meyers, some company out in Vine Street, realty company.

The CHAIRMAN. The speaker you have, where does the speaker itself—I mean, who is talking in the speaker?

Mr. ROSENBAUM. You see, they get their company, I guess, and they know what place to call. I don't know. It is just the service.

The CHAIRMAN. It comes in all the time while the race is going on, doesn't it?

Mr. ROSENBAUM. Service, and sometimes a little news.

The CHAIRMAN. A little what?

Mr. ROSENBAUM. A little news.

The CHAIRMAN. You mean when they don't have any race results they might tell you a little news, too?

Mr. ROSENBAUM. Yes.

The CHAIRMAN. All right.

Mr. RICE. Who do you pay for that?

Mr. ROSENBAUM. I don't pay only—I told you all I pay is the rent.

Mr. RICE. How much is the rent?

Mr. ROSENBAUM. All other is furnished.

Mr. RICE. How much is the rent?

Mr. ROSENBAUM. Three a month.

Mr. RICE. Three what?

Mr. ROSENBAUM. Three hundred a month.

Mr. RICE. That includes the speaker, too?

Mr. ROSENBAUM. Of course.

Mr. RICE. Who do you pay that to?

Mr. ROSENBAUM. The rent to the realty company.

Mr. RICE. To the realty company. Do they arrange for the speaker?

Mr. ROSENBAUM. I don't know. I don't think so. I wouldn't think they would have anything to do with it. It is the same thing if you would walk in here and hire this place, and when you hire this place, I give you this service with it.

Mr. RICE. Yes.

Mr. ROSENBAUM. I give you a janitor to clean this place up and I give you light and heat.

Mr. RICE. Who do you do business with to give you that stuff—Slackman?

Mr. ROSENBAUM. That is right.

Mr. RICE. Is he the one who arranges for the service?

Mr. ROSENBAUM. I don't know who arranges for the service.

Mr. RICE. Who pays for it?

Mr. ROSENBAUM. I don't; I know that.

Mr. RICE. What do you pay Slackman?

Mr. ROSENBAUM. Nothing.

Mr. RICE. Nothing?

Mr. ROSENBAUM. That is right. He is there for the information, I would imagine.

Mr. RICE. He is what?

Mr. ROSENBAUM. Mostly for information.

Mr. RICE. He is there for information?

Mr. ROSENBAUM. Yes.

Mr. RICE. For who?

Mr. ROSENBAUM. For himself, I guess. I don't know.

Mr. RICE. I don't understand that at all.

The CHAIRMAN. Let's get the name of the real-estate company.

Mr. ROSENBAUM. The information would be if you want to bet on a horse—is to bet on a horse.

Mr. RICE. Does he bet with you?

Mr. ROSENBAUM. He bets for himself. He has got his own customers to bet with.

Mr. RICE. He has a book too, then?

Mr. ROSENBAUM. I don't think so. I think a better.

Mr. RICE. Possibly he is a bookie, isn't he?

Mr. ROSENBAUM. I don't think so. There ain't no booking, very few bookmakers.

Mr. RICE. Who is the real-estate company? Who is the company that rents you the place there?

Mr. ROSENBAUM. A man—I don't know. The man's name is Meyers.

Mr. RICE. The man's name is Meyers?

Mr. ROSENBAUM. Meyers.

Mr. RICE. M-e-y-e-r-s?

Mr. ROSENBAUM. Yes.

Mr. RICE. In Cincinnati?

Mr. ROSENBAUM. Down on Vine Street, some kind of a realty company.

Mr. RICE. What is Meyers' first name?

Mr. ROSENBAUM. I don't remember exactly. John Meyers or Jim Meyers—some kind of a Meyers.

The CHAIRMAN. As a matter of fact, Slackman is really just a front man for you, isn't he?

Mr. ROSENBAUM. For me?

The CHAIRMAN. Yes.

Mr. ROSENBAUM. You can call him whatever you want. I don't know. He is not working for me.

The CHAIRMAN. I mean he makes all the arrangements and everything in his name.

Mr. ROSENBAUM. I wouldn't call him a front man for me.

The CHAIRMAN. Then for your brother-in-law—Miller.

Mr. ROSENBAUM. No, no, no.

The CHAIRMAN. All right.

Suppose we stand in recess now until 2:15. You come back at 2:15, Mr. Rosenbaum.

(Whereupon, at 1:05 p. m., the committee recessed, to reconvene at 2:15 p. m., this same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Come around, Mr. Rosenbaum. Have a seat.

The committee chairman designates the Senator from Wyoming, Senator Hunt, to act as chairman this afternoon, for at least until later this afternoon. This is Mr. Rosenbaum, Senator Hunt. He has been sworn. He is just about to finish his testimony. Mr. Rice just had one or two more questions to ask him. Senator Hunt will sit as a subcommittee of one.

FURTHER TESTIMONY OF LOUIS ROSENBAUM, CINCINNATI, OHIO

Mr. RICE. We just had an interesting conversation out in the hall with Mr. Rosenbaum that might be enlightening about his philosophy. We talked about how he arrived at where he is. He previously testified, Senator Hunt, that in 1947, I believe, he paid \$200,000 in income tax.

Mr. ROSENBAUM. In that neighborhood, in 1948, I think.

Mr. RICE. We were talking about whether you can take it with you or not. What is that about green?

Mr. ROSENBAUM. The long green won't stay with the green long.

Mr. RICE. The long green won't stay with the green long?

Mr. ROSENBAUM. That is right.

Mr. RICE. What do you mean by that?

Mr. ROSENBAUM. Well, you got money—he knows.

Mr. RICE. We can't hear you.

Mr. ROSENBAUM. Long green, I mean some people make money but they don't hold; can't hold it.

Mr. RICE. Greenhorns don't hold the long green, is that it?

Mr. ROSENBAUM. Something like that. Put it any way you want. It doesn't strike it.

Mr. RICE. He is back to his last hundred thousand dollars, Senator Hunt.

Now do you know a man by the name of Ben Cohen, of Miami, Miami Beach, a lawyer?

Mr. ROSENBAUM. I don't know him. I have seen him.

Mr. RICE. You have seen him?

Mr. ROSENBAUM. I don't know him.

Mr. RICE. You don't know him. Did you ever talk with him when you saw him?

Mr. ROSENBAUM. I don't know him.

Mr. RICE. Did you ever talk with him on the telephone?

Mr. ROSENBAUM. Not that I know of. He could have said he's somebody else.

Mr. RICE. He could have said he is somebody else?

Mr. ROSENBAUM. I don't think so. I wouldn't know.

Mr. RICE. On January 12, last month, 1951, Ben Cohen, whose telephone is 580676 in Miami made a collect call to Louis Rosenbaum at

Elmhurst 1631. That is your number, is it not, at 1:09 p. m., talked for 6 minutes, paid \$3.10 for that. What was that call about?

Mr. ROSENBAUM. Ben Cohen?

Mr. RICE. Benny Cohen; yes.

Mr. ROSENBAUM. I'll have to disagree with you.

Mr. RICE. Do you know any Benny Cohens in Florida? Do you know any Cohens down there?

Mr. ROSENBAUM. I wouldn't say offhand, but I don't know that man you are talking about. Benny Cohen?

Mr. RICE. Yes. You say you saw this Ben Cohen at one time?

Mr. ROSENBAUM. Is he an attorney down in Miami?

Mr. RICE. Yes.

Mr. ROSENBAUM. Yes; I've seen him.

Mr. RICE. Did he ever telephone you when you were in Cincinnati?

Mr. ROSENBAUM. Not that I know of. I don't remember ever speaking to him.

Mr. RICE. Is it possible?

Mr. ROSENBAUM. Beg pardon?

Mr. RICE. Is it possible?

Mr. ROSENBAUM. I must have been sound asleep and talking in my sleep then.

Mr. RICE. Do you sleep at one o'clock in the afternoon?

Mr. ROSENBAUM. In the afternoon?

Mr. RICE. Yes.

Mr. ROSENBAUM. No.

Mr. RICE. Well, now what is it? Do you want to deny that you talked with Benny Cohen on the telephone?

Mr. ROSENBAUM. If I wanted to deny it, I'd say so. I wouldn't have to answer it.

Mr. RICE. What is the story?

Mr. ROSENBAUM. I don't know. I don't know what you are talking about. Benny Cohen called me at one o'clock in the afternoon?

Mr. RICE. Now is there any Cohen at all that you deal with in Miami? Sam Cohen? Do you deal with the S. & G.?

Mr. ROSENBAUM. (Shakes head indicating a negative answer.)

Mr. RICE. Did you take any lay-offs from Florida?

Mr. ROSENBAUM. Yes; I've taken lay-offs from Florida.

Mr. RICE. Who do you take it from?

Mr. ROSENBAUM. One of the fellows in the hotel gives me a bet.

Mr. RICE. From the hotel? Who is that?

Mr. ROSENBAUM. I'll think of his name in a minute.

Mr. RICE. This is only a month ago now that you talked to this gentleman, January.

Mr. ROSENBAUM. I don't know nobody.

Mr. RICE. Did you take any lay-offs from there last month?

Mr. ROSENBAUM. I've taken bets over there.

Mr. RICE. You have taken bets?

Mr. ROSENBAUM. Yes.

Mr. RICE. Did you take bets at your house?

Mr. ROSENBAUM. No.

Mr. RICE. This call was made to Elmhurst 1631.

Mr. ROSENBAUM. No. That's my number.

Mr. RICE. Do you want to take the position you do not know anything about his call at all?

Mr. ROSENBAUM. I don't know no Ben Cohen that called me.

Mr. RICE. Do you know who did call you named Cohen?

Mr. ROSENBAUM. Cohen?

Mr. RICE. Well, now you paid for this telephone call. You paid for calls from people you don't know?

Mr. ROSENBAUM. Well, I don't think I do, but somebody called me but it wasn't last month.

Mr. RICE. All right, what was that call about?

Mr. ROSENBAUM. He says this is the boss talking. He says, "I've got a good thing in the fourth race." Who in hell is the boss, who the boss is, I don't know.

Mr. RICE. Did the boss call collect?

Mr. ROSENBAUM. A lot of them call collect.

Mr. RICE. Do you accept collect calls at your home?

Mr. ROSENBAUM. Yes.

Mr. RICE. From people who do not identify themselves?

Mr. ROSENBAUM. Yes. They identify themselves on the phone.

Mr. RICE. Yes. Well, now who identified himself to you on this call?

Mr. ROSENBAUM. On which call?

Mr. RICE. On this one from Cohen.

Mr. ROSENBAUM. I don't know. You could have been there. You know me, you call me collect and talk to me.

Mr. RICE. Well, now when this boss called, who is he?

Mr. ROSENBAUM. I don't know who the boss is. I never heard of him before in my life.

Mr. RICE. You paid for it, did you not?

Mr. ROSENBAUM. He just caught me offhand, you know. I might have been doing something in a hurry, doing something, you know, in the house, straightening up or maybe grabbing a hold of the kid.

Mr. RICE. Maybe getting the daily double ready, and you are in a hurry.

Mr. ROSENBAUM. Well, that ain't bad, either, if you can hit.

Mr. RICE. Well, now who was this boss that called up?

Mr. ROSENBAUM. That's what I'm asking you. He give me a good thing. He says I'll get a good thing. I says I didn't get the name. Somebody spoke to me.

Mr. RICE. You did not get the name?

Mr. ROSENBAUM. I didn't get it. He said, "the boss." I said, "O. K., let him in."

Mr. RICE. "Let him in"?

Mr. ROSENBAUM. Did you ever go with the rush, you get in with the rush.

Mr. RICE. On the telephone?

Mr. ROSENBAUM. Somebody called me just when I was doing something intermediately. I says, "O. K." I thought somebody was kidding me or something on the phone.

Mr. RICE. This was not much of a rush. This went on for 6 minutes.

Mr. ROSENBAUM. It wasn't Benny Cohen that called me.

Mr. RICE. Who was it that called?

Mr. ROSENBAUM. I don't know. I get a lot of collect calls.

Mr. RICE. You do not want to say who this boss is that called?

Mr. ROSENBAUM. I don't know.

Mr. RICE. What did the boss tell you?

Mr. ROSENBAUM. He wants to give me a good thing in the fourth race. I hung him up.

Mr. RICE. You hung him up and took 6 minutes to do that?

Mr. ROSENBAUM. No; it wasn't no 6 minutes to do that.

Mr. RICE. That is what you paid for.

Mr. ROSENBAUM. Listen, not that call.

Mr. RICE. Now I see where you called during 1 month 48 times, or you accepted 48 calls from a fellow by the name of Shepherd.

Mr. ROSENBAUM. Yes.

Mr. RICE. Who is he?

Mr. ROSENBAUM. That's the man I get information from.

Mr. RICE. You get information from?

Mr. ROSENBAUM. Yes.

Mr. RICE. What is his name?

Mr. ROSENBAUM. Shepherd.

Mr. RICE. What Shepherd?

Mr. ROSENBAUM. I'll tell you his first name in a minute.

Mr. RICE. What is his business?

Mr. ROSENBAUM. Information is pretty good.

Mr. RICE. His information is good. Is he betting with you or telling you?

Mr. ROSENBAUM. Well, he gives me figures.

Mr. RICE. What kind of figures?

Mr. ROSENBAUM. Or horses.

Mr. RICE. What do they say?

Mr. ROSENBAUM. There's figures on them.

Mr. RICE. Tell us, give us a representative conversation you would have with Shepherd. He would call up and he would say, "Hello" and you would say "Hello," and then what?

Mr. ROSENBAUM. He says, "What's going on?"

Mr. RICE. "What's going on"?

Mr. ROSENBAUM. Yes.

Mr. RICE. Then what?

Mr. ROSENBAUM. I say, "Well, I ain't heard nothing."

Mr. RICE. You ain't heard nothing. Then what?

Mr. ROSENBAUM. Then he says, "So and so likes this horse today, so and so likes this horse today."

Mr. RICE. So and so likes this horse today and so and so likes this horse?

Mr. ROSENBAUM. Yes. "This horse calls for a good figure today."

Mr. RICE. This horse calls for a good figure?

Mr. ROSENBAUM. Yes.

Mr. RICE. Then what?

Mr. ROSENBAUM. Well, then he says, "Take the numbers," and then I go and put down the numbers, 8, 6, and 3, you put down 8, 6, and 3, 12, 4, and 2.

Mr. RICE. These are the horses' numbers at the various tracks?

Mr. ROSENBAUM. Yes.

Mr. RICE. I see.

Mr. ROSENBAUM. He will say 12, 4, and 2, that is in the second race at Miami.

Mr. RICE. What is this fellow, a man with a crystal ball? Where does he get his information?

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't know?

Mr. ROSENBAUM. That's right.

Mr. RICE. Do you act on his information?

Mr. ROSENBAUM. A lot of times.

Mr. RICE. Well, now I see where he is calling from a telephone Waverly 3-8462 in Newark.

Mr. ROSENBAUM. I don't know it.

Mr. RICE. And that is listed to a Mrs. Gussie Siegel at 58 Goldsmith Avenue, New York City. All bills for this number are forwarded to a Siegel at 6 Algonquin Place, Elizabeth. Where does he get his from? It looks like he is sitting out here in Newark.

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't know?

Mr. ROSENBAUM. No, sir. That I don't.

Mr. RICE. How long have you been doing business with Shepherd?

Mr. ROSENBAUM. Seven, eight months, six months.

Mr. RICE. How much did you pay him for the information?

Mr. ROSENBAUM. Nothing.

Mr. RICE. You do not pay him anything; all you do is take his telephone calls?

Mr. ROSENBAUM. That's right.

Mr. RICE. What is in it for him, then?

Mr. ROSENBAUM. Some of my information that I can give him.

Mr. RICE. You give him information back?

Mr. ROSENBAUM. That's right.

Mr. RICE. And do you bet with one another?

Mr. ROSENBAUM. No.

Mr. RICE. Strictly an information deal?

Mr. ROSENBAUM. That's right.

Mr. RICE. Any other business with him?

Mr. ROSENBAUM. No.

Mr. RICE. Any money change hands between you two?

Mr. ROSENBAUM. No.

Mr. RICE. You are sure about that?

Mr. ROSENBAUM. That is right.

Mr. RICE. Have you ever seen the man?

Mr. ROSENBAUM. Yes.

Mr. RICE. Where did you see him?

Mr. ROSENBAUM. About 1936.

Mr. RICE. Where?

Mr. ROSENBAUM. Saratoga, N. Y.

Mr. RICE. Saratoga. What was he doing up there?

Mr. ROSENBAUM. What was I doing up there?

Mr. RICE. What was he doing up there?

Mr. ROSENBAUM. He was around the track betting horses.

Mr. RICE. Betting horses at the track. Now, then, during 1 month you had 13 collect calls from somebody named Kimmell. Who is he?

Mr. ROSENBAUM. Another player, information man.

Mr. RICE. Is he a player or information man?

Mr. ROSENBAUM. He bets on information, and I give him information.

Mr. RICE. He is in Hot Springs, Ark., calling from Hot Springs 6000, which is listed to the Beverly Country Club on Little Rock Road. Have you ever been there?

Mr. ROSENBAUM. No.

Mr. RICE. Where did you meet Kimmell?

Mr. ROSENBAUM. Miami.

Mr. RICE. What is his first name?

Mr. ROSENBAUM. Manny.

Mr. RICE. Manny Kimmell. And he is just a bettor. He is one of the ones that lays off to you?

Mr. ROSENBAUM. Yes; sometimes.

Mr. RICE. Now, then, when you settle up with Kimmell, how do you settle up?

Mr. ROSENBAUM. Well, checks; but there hasn't been much between us—at least, not in a year or so, anyway.

Mr. RICE. Where do you mail to Kimmell?

Mr. ROSENBAUM. Wherever he is located. If he is in Miami——

Mr. RICE. Where is he now?

Mr. ROSENBAUM. I don't know. The last time I heard he was in Hot Springs, and he has been in Las Vegas, he's been in——

Mr. RICE. When is the last time you talked with him?

Mr. ROSENBAUM. Sometime this month.

Mr. RICE. When?

Mr. ROSENBAUM. Sometime this month.

Mr. RICE. Sometime this month?

Mr. ROSENBAUM. Yes, a number of times.

Mr. RICE. Where was he then?

Mr. ROSENBAUM. He was in New York.

Mr. RICE. In New York. Was he betting you then?

Mr. ROSENBAUM. Not betting me. He was betting, but not me.

Mr. RICE. Was he betting in New York then?

Mr. ROSENBAUM. No; he wasn't betting then.

Mr. RICE. You had eight more calls from Hot Springs from Beckelbaum and Jack Tarr down there. Who is he?

Mr. ROSENBAUM. He is a friend of mine I know.

Mr. RICE. A friend of yours?

Mr. ROSENBAUM. Yes.

Mr. RICE. He is calling you collect. What is he calling you about?

Mr. ROSENBAUM. Just talking how things are.

Mr. RICE. Just to see how things are?

Mr. ROSENBAUM. Yes. He called me at night, wasn't it?

Mr. RICE. I beg your pardon?

Mr. ROSENBAUM. It was a night call. I am positively sure it wasn't a betting proposition.

Mr. RICE. What business is Beckelbaum in?

Mr. ROSENBAUM. I don't know.

Mr. RICE. He is a friend of yours. You accept his calls collect.

Mr. ROSENBAUM. I don't know what business he is in now.

Mr. RICE. What business was he in anytime so far as you know?

Mr. ROSENBAUM. He had a bar.

Mr. RICE. A gambler, too, is he not?

Mr. ROSENBAUM. A bar. Yes.

Mr. RICE. Where is his bar?

Mr. ROSENBAUM. He had a bar. I don't know where it is at now. I think he is out of it.

Mr. RICE. What city was it in?

Mr. ROSENBAUM. Evansville, Ind.

Mr. RICE. Evansville, Ind., was it not. Now where does he operate from?

Mr. ROSENBAUM. Cincinnati.

Mr. RICE. Cincinnati. Is he there with you?

Mr. ROSENBAUM. Not with me.

Mr. RICE. Who is Cornwall?

Mr. ROSENBAUM. Cornwall?

Mr. RICE. Yes.

Mr. ROSENBAUM. A friend of mine.

Mr. RICE. What business is he in?

Mr. ROSENBAUM. Horses, I guess.

Mr. RICE. Where does he operate from?

Mr. ROSENBAUM. Miami right now.

Mr. RICE. He is down at Miami 8-181032, 31 West Thirty-ninth Place in Hialeah. He called you up 13 times collect in 1 month. Is that lay-off?

Mr. ROSENBAUM. No; information.

Mr. RICE. Information. Who is this down in Florida laying off to you?

Mr. ROSENBAUM. Who is down in Florida laying off to me?

Mr. RICE. Yes.

Mr. ROSENBAUM. A few private people.

Mr. RICE. Private people?

Mr. ROSENBAUM. Yes. Wait, I'll tell you their names in a minute.

Mr. RICE. You mean they do not advertise; is that the idea?

Mr. ROSENBAUM. No. They just play here and there.

Mr. RICE. Now I see you get a call from a fellow named Collins in San Francisco. What was that about?

Mr. ROSENBAUM. It's all in the race-horse business.

Mr. RICE. In connection with the race-horse business?

Mr. ROSENBAUM. Yes.

Mr. RICE. A. W. Collins is listed as being in the public-relations business, room 502, 400 Montgomery Street, San Francisco.

Mr. ROSENBAUM. I don't know. I've never been there.

Mr. RICE. He is still in the race-horse business?

Mr. ROSENBAUM. Yes.

Mr. RICE. We are entitled, then, to say that some of these public-relations men around Washington are in the race-horse business?

Mr. ROSENBAUM. What do you mean "public relations"?

Mr. RICE. What do you mean?

Mr. ROSENBAUM. I didn't say anything about public relations.

Mr. RICE. As far as you are concerned, A. W. Collins is in the racing business?

Mr. ROSENBAUM. That's right.

Mr. RICE. And if he is in public relations, you do not know anything about that?

Mr. ROSENBAUM. No; I don't know.

Mr. RICE. Do you know any Gerson up in Cleveland?

Mr. ROSENBAUM. Yes; I know him.

Mr. RICE. Who is Gerson?

Mr. ROSENBAUM. The same line.

Mr. RICE. All in the same line. Philip Gerson?

Mr. ROSENBAUM. Yes, sir.

Mr. RICE. 3494—Yellowstone 20953, is that the man? He is one of the ones that is laying off to you?

Mr. ROSENBAUM. What is it? Yes, he lays off.

Mr. RICE. 20953?

Mr. ROSENBAUM. He lays off to me.

Mr. RICE. Now, then, I see you getting a lot of calls from Las Vegas?

Mr. ROSENBAUM. There is three. I don't know their names, some name they—

Mr. RICE. Three names?

Mr. ROSENBAUM. Yes; three names.

Mr. RICE. Well, I have got one of them as the Flamingo Commissioners.

Mr. ROSENBAUM. Yes; that's it.

Mr. RICE. Who are they?

Mr. ROSENBAUM. They're three partners.

Mr. RICE. Three partners. Who are they?

Mr. ROSENBAUM. George, Cookie—I don't even know their first names.

Mr. RICE. George and Cookie?

Mr. ROSENBAUM. George and Cookie and another one.

Mr. RICE. They are at the Flamingo Hotel?

Mr. ROSENBAUM. Yes.

Mr. RICE. Do they operate from Bugsy Siegel's place?

Mr. ROSENBAUM. I wouldn't know. I've never been there.

Mr. RICE. How about down here in Los Angeles, did you get any lay-offs from there?

Mr. ROSENBAUM. Once in a while.

Mr. RICE. Crestview 6-2251. Who did you take it from down there?

Mr. ROSENBAUM. Well, some of them fellows on the way to Las Vegas.

Mr. RICE. And moving around. So you get a lot of calls there from the Sam Pool Club, 9841 Sunset Boulevard, phone listed to the Beverly Hills Travel Club. I guess you are right. They are moving around. They travel.

Mr. ROSENBAUM. That is right. I don't know who it is.

Mr. RICE. Milton M. Golden and Verbona Hebbard, does that mean anything to you?

Mr. ROSENBAUM. Who?

Mr. RICE. Milton M. Golden. Now are you still in business?

Mr. ROSENBAUM. Am I still in the business?

Mr. RICE. Yes.

Mr. ROSENBAUM. I'm in the business, now from here on out, I'll be at the race track betting.

Mr. RICE. From here on out you will be at the race track betting?

Mr. ROSENBAUM. I can't bet nowhere else.

Mr. RICE. Well, now, what are you going to do with your lay-off business?

Mr. ROSENBAUM. That will be my lay-off.

Mr. RICE. That will be your lay-off. How are you going to operate from here on out?

Mr. ROSENBAUM. That's the way it looks to me.

Mr. RICE. What is the matter?

Mr. ROSENBAUM. I can't understand this. I want to ask a question.

Mr. RICE. Yes; go ahead.

Mr. ROSENBAUM. Now, I've never been nothing but an asset to the horse business.

Mr. RICE. You have been an asset to the horse business?

Mr. ROSENBAUM. Yes.

Mr. RICE. Go ahead.

Mr. ROSENBAUM. All I'd ever do is give the States money. I mean by going to the race track, they take their percentage. There isn't but very few bettors in the United States that put in as much money as I do in the race tracks.

Mr. RICE. You are one of the biggest in the United States, are you not?

Mr. ROSENBAUM. No. There is very few people. I'm not one of the biggest. Don't rate me, don't put me up any higher than I am. There ain't no use in me having 30 cents in my pocket and you're trying to make a millionaire out of me. You just put me where I belong.

Mr. RICE. The green isn't going to stay with you?

Mr. ROSENBAUM. That's right. It hasn't.

Mr. RICE. Now, how are you going to operate from here on out? We are interested in that.

Mr. ROSENBAUM. Well, I guess I'll do the best I can betting on the race track, that's all.

Mr. RICE. You are going to try to bet them at the race track, is that it?

Mr. ROSENBAUM. Yes.

Mr. RICE. Are you closing your office?

Mr. ROSENBAUM. It's closed.

Mr. RICE. When did you close it?

Mr. ROSENBAUM. There's no more phones.

Mr. RICE. No more phone. When did they take the phone out?

Mr. ROSENBAUM. The next day.

Mr. RICE. The next day?

Mr. ROSENBAUM. Yes.

Mr. RICE. The day before yesterday, was it not?

Mr. ROSENBAUM. Well, I don't know exactly whether it's 2, 3 days ago or 4 days ago.

Mr. RICE. Where were you when the subpena found you?

Mr. ROSENBAUM. In bed.

Mr. RICE. In bed?

Mr. ROSENBAUM. Oh, I knew it was coming.

Mr. RICE. You knew it was coming?

Mr. ROSENBAUM. Yes.

Mr. RICE. How did you know that?

Mr. ROSENBAUM. Well, you subpenaed him.

Mr. RICE. Who is him?

Mr. ROSENBAUM. Cogan and Remer.

Mr. RICE. Somebody called you the night before you got the subpena, did they not, about 3 o'clock in the morning?

Mr. ROSENBAUM. I don't know. A lot of people call. I call them at 3 o'clock.

Mr. RICE. You call them?

Mr. ROSENBAUM. Three o'clock.

Mr. RICE. Who did you call, Remer?

Mr. ROSENBAUM. No. I can call somebody at 3 o'clock in the morning in Las Vegas, or some place like that, and talk to somebody.

Mr. RICE. Who called you the night before you got the subpoena?

Mr. ROSENBAUM. Nobody.

Mr. RICE. Nobody. You are sure about that?

Mr. ROSENBAUM. That's right.

Mr. RICE. Think hard now. Did you not get a telephone call from somebody?

Mr. ROSENBAUM. Listen, I get so many calls I'm dizzy. I got telephinitis now.

Mr. RICE. You are sure you did not tell the United States marshal that somebody called you from Florida at 3 o'clock in the morning, just before he served you? You did not tell him that?

Mr. ROSENBAUM. No; because I do that nearly every day.

Mr. RICE. You do what?

Mr. ROSENBAUM. Call either Miami or——

Mr. RICE. No; this was a call that was warning you that you were going to be served.

Mr. ROSENBAUM. It wouldn't make no difference. I wasn't going to duck anyway. I don't remember, to be truthful.

Mr. RICE. Do you know it is perjury to say you do not remember when you do remember?

Mr. ROSENBAUM. I cannot help that.

Mr. RICE. You can't help it. You do not want to change your answer?

Mr. ROSENBAUM. No; I wouldn't change my answer. I don't think anybody called me in warning me.

Mr. RICE. I am not interested in what you think. I want to know definitely whether or not you got a call tipping you off that you were about to be served.

Mr. ROSENBAUM. You want to know definitely?

Mr. RICE. Yes.

Mr. ROSENBAUM. I'd have to make up one.

Mr. RICE. No; don't make up anything.

Mr. ROSENBAUM. Well, I wouldn't be able to tell you that, but nobody called me anyway in regards to tipping me off.

Mr. RICE. Nobody called you to tip you off?

Mr. ROSENBAUM. That's right.

Mr. RICE. That is definite?

Mr. ROSENBAUM. That is definite.

Mr. RICE. After you got the subpoena, did you proceed to close your office up?

Mr. ROSENBAUM. No.

Mr. RICE. What did you do? You said it is closed.

Mr. ROSENBAUM. It got a little warm over there.

Mr. RICE. Got a little warm. The heat got on?

Mr. ROSENBAUM. Yes.

Mr. RICE. The heat went on?

Mr. ROSENBAUM. Yes.

Mr. RICE. What did you do when the heat went on?

Mr. ROSENBAUM. I haven't been to the office.

Mr. RICE. You have not been to the office since?

Mr. ROSENBAUM. No; not that day or the day before that.

Mr. RICE. The heat was already on?

Mr. ROSENBAUM. I don't know. It wasn't on then, but I hadn't been in the office for a couple of days.

Mr. RICE. What heat are you talking about, what kind of heat, local heat, Federal heat, or Senate heat?

Mr. ROSENBAUM. After the marshal served me with the subpoena—

Mr. RICE. I get the picture now that you have closed down your operations, is that right?

Mr. ROSENBAUM. Yes.

Mr. RICE. Now what caused you to do that?

Mr. ROSENBAUM. Well, because when the marshal served me with the subpoena, I got all that publicity.

Mr. RICE. Oh, it was publicity?

Mr. ROSENBAUM. That didn't bother me anyway. I've never done anything wrong anyway. It don't make any difference. They can do whatever they want. I don't do nothing wrong.

Mr. RICE. Is it legal to take lay-off bets in Ohio?

Mr. ROSENBAUM. Is it legal? I wouldn't know.

Mr. RICE. You would not know. How about Kentucky?

Mr. ROSENBAUM. I don't know.

Mr. RICE. You don't know?

Mr. ROSENBAUM. No; I don't think so.

Mr. RICE. Is it possible that that is illegal?

Mr. ROSENBAUM. I don't know. You ask some of them race tracks, when I went back there they begged for the business.

Mr. RICE. Let us stay on this now, please. You say you have not done anything wrong. Is something illegal wrong?

Mr. ROSENBAUM. Yes.

Mr. RICE. So that you do not know whether it is legal or not, then, do you? Is that the idea?

Mr. ROSENBAUM. That's right. I don't think it's legal in any place.

Mr. RICE. You do not think it is legal in any place. How about Nevada?

Mr. ROSENBAUM. Nevada, yes, that's legal.

Mr. RICE. Why don't you go to Nevada to operate?

Mr. ROSENBAUM. I don't want to go any place. I want to go where I want to go. I want to go and do what I want to do.

Mr. RICE. You want to do what you want to do, whether it is against the law or not?

Mr. ROSENBAUM. No, no. I want to go in the race track and bet.

Mr. RICE. You have decided to close up and go to the race track?

Mr. ROSENBAUM. Yes.

Mr. RICE. All right. Any questions, Senator?

Senator HUNT. I want to make an observation. At the beginning of your testimony this afternoon, I think either you or the counsel made some statement with reference to paying approximately \$200,000 in income tax last year; is that right?

Mr. ROSENBAUM. No, sir.

Senator HUNT. How much income?

Mr. RICE. 1947.

Mr. ROSENBAUM. 1947 or 1948, I don't know.

Senator HUNT. What was your gross income in the year when you paid approximately \$200,000?

Mr. ROSENBAUM. I couldn't tell you.

Senator HUNT. You would not know. I want to make this observation. That money had to come from some place, did it not, that you paid an income tax on?

Mr. ROSENBAUM. Yes, sir.

Senator HUNT. Where do you think it came from? Do you think it might possibly have come from people who should have been spending that money for shoes and for clothes and for food and for heat, for children, instead of allowing you to take it in the way you took it?

Mr. ROSENBAUM. No, sir; I never dealt with them kind of people. That's for rumors, maybe.

Senator HUNT. Those are the bulk of this take from gambling which comes from that class of people who can't afford it. That is why the Senate Crime Committee is attempting to clean it up.

Mr. ROSENBAUM. That's true, but I never handle that kind of business. I never took \$2 and \$5. The only thing that I ever took—

Senator HUNT. Somebody else gathered it and collected it. That is all.

Mr. ROSENBAUM. I don't think so.

Mr. RICE. I have one question.

There seems to be some question about these race horses that you owned and farmed out. Were any of those ever raced? Were any of those horses ever raced? Did they ever run a race?

Mr. ROSENBAUM. Some.

Mr. RICE. Some. Now, then, did ever any of them race when you owned them?

Mr. ROSENBAUM. No.

Mr. RICE. Why is that?

Mr. ROSENBAUM. Why is that?

Mr. RICE. Yes. When did you acquire these horses? After they finished racing, or did you sell them to race later on, or what?

Mr. ROSENBAUM. Some of them were raced by my brother.

Mr. RICE. Some of the horses you owned were raced by your brother?

Mr. ROSENBAUM. That I own now.

Mr. RICE. That you own now?

Mr. ROSENBAUM. That's right.

Mr. RICE. Who owned them when your brother raced them?

Mr. ROSENBAUM. He did.

Mr. RICE. He did. Did you buy them from your brother?

Mr. ROSENBAUM. No, sir. I bought these horses when he was in the Army.

Mr. RICE. You bought the horses while he was in the Army?

Mr. ROSENBAUM. Yes.

Mr. RICE. This is your brother Dave?

Mr. ROSENBAUM. Yes; and they were just youngsters when I bought them. They were not yearlings. They were weanlings, and those who qualified, raced.

Mr. RICE. Now, those who qualified raced. You still owned them, though, did you not?

Mr. ROSENBAUM. I owned them then.

Mr. RICE. Yes?

Mr. ROSENBAUM. I gave them to him when he got out of the Army. The horses became of age.

Mr. RICE. Then you gave them to him?

Mr. ROSENBAUM. That's right.

Mr. RICE. And he raced them under his name, then. Now, before he got out of the Army, they raced under your name, then, did they not?

Mr. ROSENBAUM. I don't recall.

Mr. RICE. Is it possible?

Mr. ROSENBAUM. I think they were raced under the name of my brother. It could be possible. I have race horses.

Mr. RICE. As a matter of fact, the arrangement with your brother is purely a subterfuge to get around the requirements of the Jockey Club, is that right? They do not allow anybody who is a betting commissioner to own race horses, do they?

Mr. ROSENBAUM. I don't know. I don't think so, if you are classed as a bookmaker.

Mr. RICE. That is right.

Mr. ROSENBAUM. If you are classed as a bookmaker, they don't permit you.

Mr. RICE. Well, it seems to me that the withholding-tax statement produced by Cogan, that it showed that he was employed by Dave and Louie Rosenbaum.

Mr. ROSENBAUM. And Harry.

Mr. RICE. And Harry, yes; so that they are all a part of the gambling operation, are they not, Dave, Harry, and Louis?

Mr. ROSENBAUM. Of horses, of the business.

Mr. RICE. Of the business, and one of them is racing horses?

Mr. ROSENBAUM. That's right.

Mr. RICE. I think that is all.

Senator HUNT. That is all. You are dismissed.

I might say to the witness leaving the stand that you are and will continue to remain under subpoena to the committee.

(At the direction of the chairman, the testimony of Joseph Uvanni, given later as of this date, is being placed in the record at this point.)

The CHAIRMAN. All right, Mr. Uvanni. Mr. Uvanni, do you solemnly swear the testimony you give will be the whole truth, so help you God?

Mr. UVANNI. I do.

The CHAIRMAN. Let the record show Mr. Morris A. Shenker, attorney at law, at St. Louis, Mo., is appearing with Mr. Uvanni. We are glad to have you with us, Mr. Shenker.

Mr. SHENKER. Thank you. I am glad to be here.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record. Let's get along, Mr. Rice.

TESTIMONY OF JOSEPH UVANNI, ROME, N. Y.; ACCOMPANIED BY MORRIS A. SHENKER, ATTORNEY AT LAW, ST. LOUIS, MO.

Mr. RICE. Where do you live?

Mr. UVANNI. 606 East Bloomfield Street, Rome, N. Y.

The CHAIRMAN. Where?

Mr. UVANNI. 606 East Bloomfield Street, Rome, N. Y.

The CHAIRMAN. Rome, N. Y.?

Mr. UVANNI. Yes, sir.

The CHAIRMAN. Off the record. Well, let's keep it on the record. I didn't know Mr. Shenker represented anybody in New York. When did you employ Mr. Shenker?

Mr. UVANNI. About 15 days ago.

The CHAIRMAN. Did you know him before?

Mr. UVANNI. I had heard of him.

The CHAIRMAN. Where did you hear of him?

Mr. UVANNI. I read about him in the newspapers, for one thing, and he was recommended to me.

The CHAIRMAN. Who recommended him to you?

Mr. UVANNI. John Mooney.

The CHAIRMAN. I believe Mr. Shenker represents Mr. Carroll. Are you paying Mr. Shenker?

Mr. UVANNI. Yes, sir; I am paying him myself.

The CHAIRMAN. All right, excuse me.

Mr. RICE. You say you are from Rome, N. Y.?

Mr. UVANNI. Yes, sir.

Mr. RICE. And there came a time when you were served with a subpoena by a representative of this committee?

Mr. UVANNI. That is right.

Mr. RICE. When was that?

Mr. UVANNI. January 25.

Mr. RICE. January 25?

Mr. UVANNI. I believe it was the 26th.

Mr. RICE. The 27th?

Mr. UVANNI. The 27th.

Mr. RICE. Saturday, wasn't it?

Mr. UVANNI. Yes, it was.

Mr. RICE. At the Fair Grounds track in New Orleans?

Mr. UVANNI. That is right.

Mr. RICE. What were you doing then?

Mr. UVANNI. Betting on horses.

Mr. RICE. Betting on horses?

Mr. UVANNI. That is right.

Mr. RICE. Are you a come-back man?

Mr. UVANNI. Well, I represent—I am a private contractor hired by John Mooney.

Mr. RICE. A private contractor hired by John Mooney?

Mr. UVANNI. Yes, sir.

Mr. RICE. And as a private contractor did you hear the testimony of Remer and Cogan today?

Mr. UVANNI. Yes, sir; I did.

Mr. RICE. As a private contractor, what do you contract to do?

Mr. UVANNI. To place bets at the race tracks.

Mr. RICE. To place bets at the tracks?

Mr. UVANNI. That is right.

Mr. RICE. And do you have a written contract?

Mr. UVANNI. No, sir.

Mr. RICE. When and where did you make that contract?

Mr. UVANNI. When I first was employed.

Mr. RICE. Beg your pardon?

Mr. UVANNI. When I first took the job.

Mr. RICE. When you first took the job?

Mr. UVANNI. What I mean is when I first talked to Mr. Mooney and he asked me if I would handle his bets at the race track under contract for \$25 a day.

Mr. RICE. Yes. Now then, where did that conversation take place?

Mr. UVANNI. It took place in Boston.

Mr. RICE. In Boston?

Mr. UVANNI. Yes; over the telephone.

Mr. RICE. Over the telephone?

Mr. UVANNI. Yes, sir.

Mr. RICE. Now, let's see about this. How did you get into telephone touch with Mooney up at Boston?

Mr. UVANNI. I knew a man who worked for him before.

Mr. RICE. Who is that?

Mr. UVANNI. Les Moose.

Mr. RICE. Les Moose?

Mr. UVANNI. Yes, sir.

Mr. RICE. How do you spell it?

Mr. UVANNI. M-o-o-s-e.

Mr. RICE. Was he working for Mooney?

Mr. UVANNI. He was working for him; yes, sir.

Mr. RICE. What did Moose tell you?

Mr. UVANNI. Well, I knew Moose for quite a while, and he asked me if I would like to stay around a race track, and I said, "yes," that I would. And I don't believe he worked the same way I did. He was working for Mr. Mooney, and we made different arrangements—that I would contract to get \$25 a day the days I am available for handling his money.

Mr. RICE. Well now, were you in the contracting business before that?

Mr. UVANNI. No, sir.

Mr. RICE. And this is your first time?

Mr. UVANNI. Yes, sir.

Mr. RICE. I take it that Moose put you in touch with Mooney over the phone?

Mr. UVANNI. Yes, sir.

Mr. RICE. And you never met him?

Mr. UVANNI. I have since.

Mr. RICE. You have since?

Mr. UVANNI. Yes.

Mr. RICE. When was that?

Mr. UVANNI. It was in 1947.

Mr. RICE. 1947?

Mr. UVANNI. Yes, sir.

Mr. RICE. Now then, since that time have you had any other employment?

Mr. UVANNI. No, sir.

Mr. RICE. This is your only employment?

Mr. UVANNI. Yes, sir; part time.

Mr. RICE. Part time?

Mr. UVANNI. When I was available.

Mr. RICE. Well, since you left school have you had any other employment?

Mr. UVANNI. Yes, sir; I worked for the Bethlehem Steel Co.

Mr. RICE. For whom?

Mr. UVANNI. The Bethlehem Steel.

Mr. RICE. Bethlehem Steel Co.?

Mr. UVANNI. Yes; at Sparrows Point.

Mr. RICE. You got to Boston somehow or other from Sparrows Point, which is on the other side of Baltimore?

Mr. UVANNI. Yes; I know where it is.

Mr. RICE. And you got in touch with Mooney?

Mr. UVANNI. Yes, sir.

Mr. RICE. Did you ever have any dealings with Jimmy Carroll?

Mr. UVANNI. No, sir.

Mr. RICE. Do you know who he is?

Mr. UVANNI. I have heard of him.

Mr. RICE. Have you met him?

Mr. UVANNI. No, sir.

Mr. RICE. Have you talked to him on the phone?

Mr. UVANNI. No, sir.

Mr. RICE. Who is he?

Mr. UVANNI. I saw his name in the paper as a betting commissioner making price on the world series.

Mr. RICE. Is that all you know about him?

Mr. UVANNI. I have heard quite a few stories about him, but I can't say that I know him.

Mr. RICE. Did you hear Mooney talk about him?

Mr. UVANNI. No, sir.

Mr. RICE. All right, sir. Your arrangements under this contract was not a written contract, you say?

Mr. UVANNI. That is right.

Mr. RICE. You were getting \$25 a day?

Mr. UVANNI. When I was available.

Mr. RICE. Any time you are not available you don't get it?

Mr. UVANNI. Yes, sir.

Mr. RICE. When is that?

Mr. UVANNI. Quite a few times.

Mr. RICE. What do you do when you are unavailable?

Mr. UVANNI. Don't do anything.

Mr. RICE. What determines when you are available and when you are unavailable?

Mr. UVANNI. Sometimes I might not be near a race track; I might be up home in New York.

Mr. RICE. I see.

Mr. UVANNI. I am not available then.

Mr. RICE. Not available?

Mr. UVANNI. That is right.

Mr. RICE. Did you go to Western Maryland?

Mr. UVANNI. Yes, sir.

Mr. RICE. Did you graduate?

Mr. UVANNI. No, sir.

Mr. RICE. How many years did you go?

Mr. UVANNI. Three years.

Mr. RICE. When you are available—which is about how many days a year, would you say?

Mr. UVANNI. It all depends. Some years it might be, say, about 180 days; some years it might be more; some years it might be less.

Mr. RICE. Now then, when you pay your taxes—you pay taxes, do you not?

Mr. UVANNI. Yes, sir.

Mr. RICE. To the Government?

Mr. UVANNI. Yes, sir.

Mr. RICE. And what do you put down there as your occupation?

Mr. UVANNI. Private contractor.

Mr. RICE. Are you sure about that?

Mr. UVANNI. Yes, sir.

Mr. RICE. On your tax?

Mr. UVANNI. Yes.

Mr. RICE. You put your occupation as private contractor?

Mr. UVANNI. Yes, sir.

Mr. RICE. Is that all you say?

Mr. UVANNI. That is all.

Mr. RICE. That is all?

Mr. UVANNI. Yes.

Mr. RICE. And where do you say your office is?

Mr. UVANNI. Don't have an office.

Mr. RICE. Where is your headquarters?

Mr. UVANNI. I move from race track to race track.

Mr. RICE. You move from track to track?

Mr. UVANNI. Yes, sir.

Mr. RICE. And do you operate in the tracks?

Mr. UVANNI. No, sir.

Mr. RICE. Outside of the track?

Mr. UVANNI. Yes, sir.

Mr. RICE. So your office is wherever you can find outside of the track; is that right?

Mr. UVANNI. Yes, sir.

Mr. RICE. Now then, coming down to New Orleans, where was your office down there?

Mr. UVANNI. Gentilly Boulevard.

Mr. RICE. Whereabouts on Gentilly Boulevard?

Mr. UVANNI. I am not sure of the address. I believe it is 1648.

Mr. RICE. Is that Mrs. LeBlanc's place?

Mr. UVANNI. Yes, sir.

Mr. RICE. A tavern right across from the track on Gentilly?

Mr. UVANNI. That is right.

Mr. RICE. What telephone did you use, Mr. Uvanni?

Mr. UVANNI. Well, there was a pay station there, and once in a while I used a phone in the back—a private phone.

Mr. RICE. Once in a while you used the phone in the back?

Mr. UVANNI. Yes, private phone.

Mr. RICE. Who is that listed to?

Mr. UVANNI. I really don't know.

Mr. RICE. Did you arrange for it?

Mr. UVANNI. No, sir.

Mr. RICE. Is that on Barracks Street, too?

Mr. UVANNI. Barracks? No, sir.

Mr. RICE. It is the corner, isn't it?

Mr. UVANNI. Yes; on the corner.

Mr. RICE. What arrangements did you make about the phone in the back?

Mr. UVANNI. Well, I used the pay phone whenever I could, and if it was busy I asked the lady if I could use the one in the back.

Mr. RICE. What lady?

Mr. UVANNI. Mrs. LeBlanc.

Mr. RICE. You asked Mrs. LeBlanc?

Mr. UVANNI. Yes, sir.

Mr. RICE. And she said all right?

Mr. UVANNI. Yes.

Mr. RICE. Did you pay her anything for the use of that phone?

Mr. UVANNI. Yes, sir. Once in a while I gave her a gift.

Mr. RICE. You gave her a gift like what—a few dollars?

Mr. UVANNI. A few dollars; yes, sir. There was no set price, or anything like that.

Mr. RICE. Once in a while she gave you a gift, too, didn't she, like a key to the back door?

Mr. UVANNI. Yes, sir.

Mr. RICE. Now, on those gifts that you gave her, did you charge those as expenses?

Mr. UVANNI. Yes, sir.

Mr. RICE. And to whom did you charge those?

Mr. UVANNI. I took it off my bank roll.

Mr. RICE. Out of your bank roll?

Mr. UVANNI. Yes, sir.

Mr. RICE. Where did you get your bank roll?

Mr. UVANNI. Well, I got it different ways.

Mr. RICE. Different ways?

Mr. UVANNI. Yes, sir.

Mr. RICE. What would be one good way?

Mr. UVANNI. Western Union.

Mr. RICE. Where would that come from?

Mr. UVANNI. St. Louis.

Mr. RICE. St. Louis. From whom?

Mr. UVANNI. John Mooney.

Mr. RICE. Mooney?

Mr. UVANNI. Yes, sir.

Mr. RICE. Anybody else?

Mr. UVANNI. No, sir.

Mr. RICE. How else would you get your bank roll replenished?

Mr. UVANNI. Cashier's checks.

Mr. RICE. Cashier's checks?

Mr. UVANNI. Yes, sir.

Mr. RICE. Where would they come from?

Mr. UVANNI. St. Louis.

Mr. RICE. From Mooney?

Mr. UVANNI. Yes, sir.

Mr. RICE. Do you know what bank?

Mr. UVANNI. No, I don't.

Mr. RICE. When you got a cashier's check, how would you cash it?

Mr. UVANNI. Well, at the race track.

Mr. RICE. At the track?

Mr. UVANNI. Yes, sir.

Mr. RICE. Right inside the track?

Mr. UVANNI. Yes, sir; at the information window.

Mr. RICE. Did you do that at all tracks?

Mr. UVANNI. Well, most of the time I got either Western Union money order or cash. You never gave me a chance to tell you I got some by cash.

Mr. RICE. How did you get that?

Mr. UVANNI. Registered mail.

Mr. RICE. Right through the mail?

Mr. UVANNI. Yes, sir.

Mr. RICE. Right to the place where you were staying?

Mr. UVANNI. I would have to go and pick it up. I would get a slip and go down and sign for it and pick it up.

Mr. RICE. From where—the post office?

Mr. UVANNI. Yes, sir.

Mr. RICE. And it would tell you there was a package there for you?

Mr. UVANNI. That is right.

Mr. RICE. And you would go down and pick it up. How much would be in those packages?

Mr. UVANNI. Well, sometimes \$2,000, sometimes three.

Mr. RICE. Two or three thousand dollars?

Mr. UVANNI. Yes, sir.

Mr. RICE. What would be the return address on that?

Mr. UVANNI. 822 Pine Street.

Mr. RICE. That is Mooney's address in St. Louis?

Mr. UVANNI. Yes, sir.

The CHAIRMAN. Or East St. Louis?

Mr. UVANNI. St. Louis.

Mr. RICE. St. Louis or East St. Louis?

Mr. UVANNI. St. Louis.

Mr. RICE. Sometimes you got these checks, you say?

Mr. UVANNI. Yes, sir.

Mr. RICE. And where would you cash the checks? You got cash now, and money orders, but you would get checks sometimes, and at all these tracks you worked at you didn't go inside the track and cash them. Where did you cash them?

Mr. UVANNI. Banks.

Mr. RICE. What bank?

Mr. UVANNI. It all depends on where I was.

Mr. RICE. You would just go into any bank?

Mr. UVANNI. No; I would have to go into a bank where I was known.

Mr. RICE. How would you get to be known? Did you have an account there?

Mr. UVANNI. No.

Mr. RICE. How did you establish your identity?

Mr. UVANNI. Well, I would find somebody that knew me and get them to identify me.

Mr. RICE. And then as an accommodation you would get your check cashed?

Mr. UVANNI. Yes.

Mr. RICE. Can you remember any of those banks?

Mr. UVANNI. No, I can't offhand; no, sir.

Mr. RICE. What tracks have you operated at in the last 3 years? You go around the circuit during the year?

Mr. UVANNI. Not exactly.

Mr. RICE. Say, the wintertime at the Fair Grounds, and that runs until March. Then where do you go?

Mr. UVANNI. I usually went to Suffolk Downs.

Mr. RICE. Suffolk Downs?

Mr. UVANNI. Yes.

Mr. RICE. Until they ran you off there?

Mr. UVANNI. Well, they told me not to come back.

Mr. RICE. Where would you go from Suffolk Downs?

Mr. UVANNI. I went to Detroit.

Mr. RICE. What track there?

Mr. UVANNI. It is a new race track.

Mr. RICE. A new track?

Mr. UVANNI. Yes.

Mr. RICE. At any of these tracks you mentioned—Suffolk Downs or the Detroit track—did they let you in the enclosure to take telephone calls?

Mr. UVANNI. No, sir.

Mr. RICE. You had to operate from outside?

Mr. UVANNI. Yes, sir.

Mr. RICE. Where would you go from Detroit?

Mr. UVANNI. I went from Detroit to Omaha.

Mr. RICE. Omaha. What track there?

Mr. UVANNI. The name of the track is Akserben.

Mr. RICE. That is Nebraska spelled backwards?

Mr. UVANNI. That is right.

Mr. RICE. Where would you go from Omaha?

Mr. UVANNI. From Omaha I went to New Jersey.

Mr. RICE. Which track?

Mr. UVANNI. I didn't work at any track, I just went there to work, and they wouldn't let anybody bet in there in large amounts.

Mr. RICE. Are you talking about Garden State?

Mr. UVANNI. I am talking about Monmouth.

Mr. RICE. Wouldn't let anybody bet large amounts?

Mr. UVANNI. That is right.

Mr. RICE. Why?

Mr. UVANNI. Well, I really don't know.

Mr. RICE. What did they tell you?

Mr. UVANNI. Just said they didn't want any large bets.

Mr. RICE. Who told you that?

Mr. UVANNI. I was told that by the general manager, Mr. Brennan.

Mr. RICE. When did they start telling you that?

Mr. UVANNI. As soon as the meeting opened.

Mr. RICE. July of this year?

Mr. UVANNI. I don't know the date.

Mr. RICE. How about the year before that?

Mr. UVANNI. The year before that I wasn't there.

Mr. RICE. Did you ever operate at Monmouth at all before they told you that?

Mr. UVANNI. I was at Monmouth, I believe, 2 years ago.

Mr. RICE. And you operated all right then?

Mr. UVANNI. Yes, sir.

Mr. RICE. Going from New Jersey, where did you go?

Mr. UVANNI. From Jersey I went to Denver.

Mr. RICE. Denver?

Mr. UVANNI. That is right.

Mr. RICE. What track at Denver?

Mr. UVANNI. Centennial Park.

Mr. RICE. What park?

Mr. UVANNI. Centennial Park.

Mr. RICE. Did they let you work in the enclosure there?

Mr. UVANNI. No, sir.

Mr. RICE. You operated outside of the track?

Mr. UVANNI. I never worked anywhere inside of a track.

Mr. RICE. At any of these tracks have you ever worked with the cashier or the ticket seller where they let you put the money up?

Mr. UVANNI. No, sir; I always bet with cash.

Mr. RICE. Do you pay cash for the tickets?

Mr. UVANNI. Pay cash and cash them for cash.

Mr. RICE. Are you sure about that now?

Mr. UVANNI. Yes, sir.

Mr. RICE. Have you ever made arrangements to leave your money with the ticket seller?

Mr. UVANNI. I have tried to but never could.

Mr. RICE. You were never able to accomplish that?

Mr. UVANNI. That is right.

Mr. RICE. From Denver where did you go?

Mr. UVANNI. From Denver I went to Louisville.

Mr. RICE. Churchill Downs?

Mr. UVANNI. Yes, sir.

Mr. RICE. From Churchill Downs where did you go?

Mr. UVANNI. The fairgrounds.

Mr. RICE. Back to New Orleans, and that is the circuit?

Mr. UVANNI. Yes, sir.

The CHAIRMAN. Don't you get down to Florida?

Mr. UVANNI. No, sir; I have never been to Florida.

The CHAIRMAN. That is not your territory?

Mr. UVANNI. I have never been there.

Mr. BURLING. Is the track at Detroit, which you call the new track, is that Hazel Park?

Mr. UVANNI. No; that is M-I-R, I think they call it, or something. I only stayed there 1 day. I didn't work there. I just stayed there.

Mr. RICE. I show you Western Union money order dated November 22, 1950, in the amount of \$5,000 payable to Joe Uvanni—"Will call at the main office, New Orleans, La."—and ask you if you got that amount, if you know?

Mr. UVANNI. That is right.

Mr. RICE. That is apparently an office record. Who did that money come from?

Mr. UVANNI. John Mooney.

Mr. RICE. It came from John Mooney?

Mr. UVANNI. That is right.

The CHAIRMAN. Let that be filed as exhibit No. 9.

(The document was marked "Exhibit No. 9," and is on file with the committee.)

Mr. RICE. I show you a record of a money order on January 25, 1951, for \$10,000, payable to Joseph Uvanni, care of Western Union, New Orleans, will call, from John Mooney, in amount of \$10,000 [showing document to witness].

Mr. UVANNI. That is right.

Mr. RICE. And I show you further record of that transaction, dated January 27, for \$10,000, Western Union money order, bearing a signature on the reverse. Is that yours?

Mr. UVANNI. Yes, sir; that is. That is the same one.

Mr. RICE. Yes; that is the same one. What did you do with that—

The CHAIRMAN. The other two will be filed as exhibits 10 and 11.

(The documents were marked "Exhibits 10 and 11," and are on file with the committee.)

Mr. RICE. What did you do with that when received?

Mr. UVANNI. What did I do with it? I kept it.

Mr. RICE. You kept it?

Mr. UVANNI. And—

Mr. RICE. I am not talking about the money. You got notification somehow or other that the money order was on the way, didn't you? How did you get that—by telephone?

Mr. UVANNI. Western Union.

Mr. RICE. Western Union, where? It says "Will call" on there.

Mr. UVANNI. Yes.

Mr. RICE. You dropped by the Western Union office?

Mr. UVANNI. Yes, sir.

Mr. RICE. Did you drop by there every day, or how did you know?

Mr. UVANNI. Mooney told me.

Mr. RICE. He told you over the telephone it would be there and you went down?

Mr. UVANNI. That is right.

Mr. RICE. Then you got the draft?

Mr. UVANNI. That is right.

Mr. RICE. Then where did you take it?

Mr. UVANNI. Took it to the race track.

Mr. RICE. What did you do with it there?

Mr. UVANNI. Cashed it.

Mr. RICE. Right in the track?

Mr. UVANNI. That is right.

Mr. RICE. At the information window.

Mr. UVANNI. Anybody can cash a check there, so long as they are known.

Mr. RICE. Right in the Fair Grounds track?

Mr. UVANNI. That is right.

Mr. RICE. They knew you there, then?

Mr. UVANNI. That is right.

Mr. RICE. Then you had \$10,000 in cash.

Mr. UVANNI. That is right.

Mr. RICE. What did you do with that?

Mr. UVANNI. Well, I took it and had it changed into cashier's checks.

Mr. RICE. Where did you do that?

Mr. UVANNI. In New Orleans.

Mr. RICE. Where?

Mr. UVANNI. The Progressive Bank.

Mr. RICE. How large did you have these cashier's checks made?

Mr. UVANNI. \$1,000, \$500, \$600, and \$300.

Mr. RICE. And did you carry those with you?

Mr. UVANNI. Yes, sir.

Mr. RICE. Then when you go to the window to make your bet—

Mr. UVANNI. When I go to the race track during the day I cash my checks for how much I thought I would need.

Mr. RICE. You would cash a smaller check?

Mr. UVANNI. And if I needed more I could cash more checks.

Mr. RICE. I see.

I have another one to offer for \$5,000. This is the actual draft.

The CHAIRMAN. That will be exhibit No. 12.

(The document was marked "Exhibit No. 12," and is on file with the committee.)

Mr. RICE. What would be your way of operating? What would you get over the telephone from Mooney?

Mr. UVANNI. Well, he would tell me the horse he wanted to bet and how much.

Mr. RICE. What would he say? What was the actual wording?

Mr. UVANNI. Well, he would give me the name of the horse, and naturally I would know what race it was in, having the program, and tell me how much.

Mr. RICE. Yes?

Mr. UVANNI. Like he might say, "200 across, 300 across, 400 across, 200 to win, 100 to show." or however he wanted to bet.

Mr. RICE. And you would go into the track and place that bet?

Mr. UVANNI. That is right.

Mr. RICE. And you would settle up with him at the end of the day over the telephone?

Mr. UVANNI. The next day.

Mr. RICE. The next day?

Mr. UVANNI. Yes, sir.

Mr. RICE. How about your salary and expenses? How would you draw that?

Mr. UVANNI. I would take it off the bank roll.

Mr. RICE. Take it off the bank roll?

Mr. UVANNI. Yes, sir.

Mr. RICE. And settle over the telephone?

Mr. UVANNI. Yes, sir.

Mr. RICE. Now then, where would you—you made collect calls, didn't you?

Mr. UVANNI. Yes, sir. That is right.

Mr. RICE. Where would you call Mooney?

Mr. UVANNI. Several different numbers.

Mr. RICE. What are some of them? Rosedale 7780, is that a number for Mooney?

Mr. UVANNI. I believe it is. I am not sure. I believe so.

Mr. RICE. That is the Park Plaza Hotel. Is that a direct line there?

Mr. UVANNI. I really couldn't tell you.

Mr. RICE. Where would you get the number? He would give it to you?

Mr. UVANNI. He would call me and give me the number to call that day.

Mr. RICE. And tell you what number to use that day?

Mr. UVANNI. Yes, sir.

Mr. RICE. Would that change every day or once a week?

Mr. UVANNI. Some days it did and some days it didn't.

Mr. RICE. Switching around from time to time?

Mr. UVANNI. Yes, sir.

Mr. SHENKER. Rosedale 7780 is not a Park Plaza number. I happen to know that number. It may be a private number.

Mr. RICE. It is registered for John Mooney, a direct line.

Mr. SHENKER. It may be a private line.

The CHAIRMAN. That is right—John Mooney, Park Plaza Hotel, St. Louis.

Mr. SHENKER. Probably a direct line.

The CHAIRMAN. Yes.

Mr. RICE. I have a paper with R. Rose, 1620 Bay Road, Miami, telephone 5393. Who is R. Rose?

Mr. UVANNI. A boy that roomed with me in New Orleans.

Mr. RICE. What was his business?

Mr. UVANNI. I really don't know. We just roomed together. I never asked him his business.

Mr. RICE. What became of him?

Mr. UVANNI. He went to Florida to see his uncle. That is his uncle's address there.

Mr. RICE. Is he a come-back man?

Mr. UVANNI. I really don't know.

Mr. RICE. He could be?

Mr. UVANNI. He could be. I never asked and he never told me.

Mr. RICE. Was he doing the same thing you were at the track?

Mr. UVANNI. He was betting.

Mr. RICE. He was betting from time to time?

Mr. UVANNI. Yes.

Mr. RICE. What is his first name?

Mr. UVANNI. Ronald.

Mr. RICE. If he could be a come-back man, who could he be a come-back man for?

Mr. UVANNI. I really don't know.

Mr. RICE. Does he work out of Kingston, N. Y.?

Mr. UVANNI. Honestly, I couldn't tell you.

Mr. RICE. It is possible?

Mr. UVANNI. Possible, but I wouldn't want to say because I don't know.

Mr. RICE. You had several other numbers. Republic 4603. Do you remember what that was for? What city is that, do you know?

Mr. UVANNI. Yes, sir; St. Louis.

Mr. RICE. St. Louis?

Mr. UVANNI. Yes.

Mr. RICE. What was that number, Republic 4603, used for?

Mr. UVANNI. That was a number I called.

Mr. RICE. The same thing?

Mr. UVANNI. Yes, sir.

Mr. RICE. Did you always talk to Mooney when you called these numbers?

Mr. UVANNI. No, sir.

Mr. RICE. Who else would you talk to?

Mr. UVANNI. There was different fellows.

Mr. RICE. Who would they be?

Mr. UVANNI. I couldn't tell you. I can tell you their nicknames, but couldn't really tell you their names.

Mr. RICE. What are some nicknames?

Mr. UVANNI. Smitty. Mack.

Mr. RICE. Smitty and Mack?

Mr. UVANNI. Yes. Kenny.

Mr. RICE. Kenny?

Mr. UVANNI. Yes.

Mr. RICE. How about Upton 45526? Where was that?

Mr. UVANNI. East St. Louis.

Mr. RICE. Is that the same thing?

Mr. UVANNI. No, sir.

Mr. RICE. What was that number for?

Mr. UVANNI. That was a friend of mine; just a friend.

Mr. RICE. Just a friend. Man or woman?

Mr. UVANNI. Man.

Mr. RICE. A man?

Mr. UVANNI. Yes, sir.

Mr. RICE. What is his name?

Mr. UVANNI. His name was Steve.

Mr. RICE. Steve?

Mr. UVANNI. Yes, sir.

Mr. RICE. Steve Portler?

Mr. UVANNI. Yes, sir.

Mr. RICE. What business is Steve Portler in?

Mr. UVANNI. I don't know what he is doing now.

Mr. RICE. Who did he work for—the Kingston outfit or Dobkin?

Mr. UVANNI. I really don't know.

Mr. RICE. You know you do. He is a good friend of yours.

Mr. UVANNI. He didn't work for either one of them.

Mr. RICE. He was a come-back man, wasn't he?

Mr. UVANNI. He was at one time.

Mr. RICE. When he was a come-back man, who did he work for?

Mr. UVANNI. John Mooney.

Mr. RICE. So he worked different tracks, or did he work together with you?

Mr. UVANNI. I never worked with anyone.

Mr. RICE. Do you know where Portler is now?

Mr. UVANNI. No, sir; I don't.

Mr. RICE. For a while, just before the 27th of January, you were away from New Orleans. Where were you?

Mr. UVANNI. Gulfport, Miss.

Mr. RICE. What were you doing over there?

Mr. UVANNI. Resting.

Mr. RICE. Resting?

Mr. UVANNI. Yes, sir.

Mr. RICE. Now, how long did you rest in Gulfport?

Mr. UVANNI. About 3 or 4 days.

Mr. RICE. Three or four days?

Mr. UVANNI. That is right.

Mr. RICE. Did that happen to be the 3 or 4 days that the Kefauver committee was in town?

Mr. UVANNI. No, sir.

Mr. RICE. Are you sure about that?

Mr. UVANNI. The committee was supposed to be there, I believe, 2 days, if I am not mistaken.

Mr. RICE. Yes.

Mr. UVANNI. I was there one of the days when the committee was there.

Mr. RICE. You were the last day?

Mr. UVANNI. That is right.

Mr. RICE. You got back in town and started operating the following day. The committee finished the hearings on the 26th and you returned and started operating on the 27th; isn't that right?

Mr. UVANNI. I was there the 27th, yes, but I didn't do anything.

Mr. RICE. You weren't doing anything?

Mr. UVANNI. No, sir.

Mr. RICE. You weren't making any bets?

Mr. UVANNI. I didn't make any bets that day.

Mr. RICE. You didn't make any bets that day?

Mr. UVANNI. No, sir.

Mr. RICE. Are you sure about that?

Mr. UVANNI. Positive.

Mr. RICE. What were you doing at the ticket window?

Mr. UVANNI. Talking to the man.

Mr. RICE. Didn't you have some tickets with you?

Mr. UVANNI. No, sir; I didn't have a ticket.

Mr. RICE. You were just cashing a money order, I take it?

Mr. UVANNI. That is right; I cashed the money order.

Mr. RICE. I see where you talked to John Mooney several times on that day. What was that about?

Mr. UVANNI. What was it about?

Mr. RICE. Yes.

Mr. UVANNI. It could have been about horses. I don't know for sure.

Mr. RICE. It is possible it was about horses.

Now, then, you had a telephone number Rosedale 3542, St. Louis. Do you know what that is for?

Mr. UVANNI. No; I don't.

Mr. RICE. Wasn't that one of the numbers you used?

Mr. UVANNI. No, sir; I never used the number.

Mr. RICE. What were you doing with the notation?

Mr. UVANNI. Notation?

Mr. RICE. Why do you have the notation?

Mr. UVANNI. I didn't know I had one.

Mr. RICE. You didn't know you had that?

Mr. UVANNI. No, sir. I had so many numbers on that paper I didn't know what I had.

Mr. RICE. They were all numbers you used for come-back, weren't they?

Mr. UVANNI. No, sir. Some of the numbers I never used at all.

Mr. RICE. Maybe it would help you if I tell you that this number is now listed to be Basket Advertising Co. in the Kingsway Hotel in St. Louis.

Mr. UVANNI. I can honestly say I never called that number.

Mr. RICE. You never used that number?

Mr. UVANNI. That is right.

Mr. RICE. That number was just about to get active, I think, about the time you became inactive.

The CHAIRMAN. Was that a number given to you to call if you wanted to?

Mr. UVANNI. Yes, sir.

Mr. RICE. Now, then, you have Forrest 5433? What was that?

Mr. UVANNI. I never called that number.

Mr. RICE. That was a new number, too, wasn't it?

Mr. UVANNI. That is right.

Mr. RICE. Forrest 2213. Another new number?

Mr. UVANNI. Yes, sir.

Mr. RICE. So these are current numbers operating there, as far as you know?

Mr. UVANNI. I don't think any numbers are operating there now. In fact, I know they are not.

Mr. RICE. How do you know that?

Mr. UVANNI. Because I haven't been active, as you say, since the 10th of February.

Mr. RICE. You stopped?

Mr. UVANNI. I haven't been available.

Mr. RICE. You are out of the contracting business now since the 10th?

Mr. UVANNI. Yes, sir.

Mr. RICE. You haven't been available?

Mr. UVANNI. That is right.

Mr. RICE. What have you been doing?

Mr. UVANNI. Resting.

Mr. RICE. Do you know a woman named Mary Forrestal? Did you ever talk to her?

Mr. UVANNI. I believe I know her.

Mr. RICE. Who is she?

Mr. UVANNI. A girl from St. Louis.

Mr. RICE. Yes. What does she do there?

Mr. UVANNI. I really couldn't tell you.

Mr. RICE. She works in the office there, doesn't she?

The CHAIRMAN. She testified before the committee when we were in executive session in St. Louis.

Mr. RICE. Would it be fair, Mr. Shenker, to say that we have a record that Mary Forrestal said about \$16,000 a day or something like that was bet at a track in Chicago?

Mr. SHENKER. I think the testimony contains something of that nature. I don't recall the amount.

The CHAIRMAN. Mr. Shenker was there during that part.

Mr. SHENKER. That is right.

The CHAIRMAN. And questions and answers that are relevant I think we can put in.

Mr. SHENKER. That is perfectly all right. I have no objections to it.

Mr. RICE. They were talking about Miss Forrestal being an employee of Mooney, is that right?

Mr. SHENKER. I believe she identified herself as his secretary, if I recall correctly.

Mr. RICE. Yes; she said she worked—she was asked what was the technical name of the place, and she said, "John Mooney; oh, the Maryland Book Shop."

And in talking about what was going on, she was asked: "Could you give us the best estimate of the amount of money that would be bet per day on an average day?" And she said, "I think maybe sixteen thousand would be closer probably. I am awfully poor on that, though."

Also in talking about telephoning bets back and forth, she said:

We have people at the race tracks that take bets. They are our own men paid by us. We have a man at the track, for instance, at Chicago, and we lay off money.

Were you one of the men?

MR. UVANNI. I have never been to Chicago.

MR. RICE. Never been to Chicago?

MR. UVANNI. I have been through Chicago but never was working there.

MR. RICE. She says, for instance, at Chicago. She said, "they are our men."

The CHAIRMAN. He wasn't at Chicago. Somebody else was there.

MR. RICE. That office was at 318½ Missouri Avenue, East St. Louis. Right shortly after the committee went to St. Louis in July, I believe that office was closed down. Did you get some instructions after that where to call at another place?

MR. UVANNI. I mentioned before that I called different numbers on different days.

MR. RICE. You called different numbers on different days according to instructions from Mooney?

MR. UVANNI. Yes, sir.

MR. SHENKER. He doesn't mean he had a specific day for each number.

MR. UVANNI. What I mean—he would tell me what number to call for that day.

MR. RICE. I have a record which indicates you received or you made some collect calls in January from Bywater 6841 in New Orleans. Do you know where that was?

MR. UVANNI. Yes, sir.

MR. RICE. Where was that?

MR. UVANNI. Mrs. LeBlanc's private phone.

MR. RICE. Mrs. LeBlanc's private phone?

MR. UVANNI. Yes, sir.

MR. RICE. And that is the phone you used to call Mooney?

MR. UVANNI. Yes, when the other phone was busy, that is right.

MR. RICE. Would it surprise you to know that Mrs. LeBlanc's private phone is listed Munez Collection Agency?

MR. UVANNI. I didn't know that.

MR. RICE. Is she running a collection agency there?

MR. UVANNI. As far as I know, I really couldn't tell you.

MR. RICE. It is a private home, isn't it?

MR. UVANNI. Yes, sir.

MR. RICE. Was there a ticker in there?

MR. UVANNI. I never saw one.

MR. RICE. Was there a ticker in there?

MR. UVANNI. Not that I know of.

MR. RICE. How about a wigwag man? Did a wigwag man work there?

Mr. UVANNI. I don't understand what you mean.

Mr. RICE. At the window on the top floor?

Mr. UVANNI. I was never upstairs in the house.

Mr. RICE. How about the wigwag man? Did you know they were there?

Mr. UVANNI. I still don't understand what you mean.

Mr. RICE. You don't know what I mean by wigwag man?

Mr. UVANNI. No, sir.

Mr. RICE. A man up on the top floor of Mrs. LeBlanc's place who would run a telescope out the window and look at the tote board. You don't know anything about that?

Mr. UVANNI. No, sir. I have never seen it.

Mr. RICE. You have never seen it?

Mr. UVANNI. No, sir.

Mr. RICE. You made some telephone calls from Audubon 0873 New Orleans?

Mr. UVANNI. That is right.

Mr. RICE. Who is that?

Mr. UVANNI. A private home; a friend of mine.

Mr. RICE. A private home, a friend of yours?

Mr. UVANNI. Yes, sir.

Mr. RICE. A girl friend?

Mr. UVANNI. Yes, sir.

Mr. RICE. And you would just happen to drop there and make some phone calls to Mooney?

Mr. UVANNI. No, I didn't happen to drop by there. I usually went over there every day.

Mr. RICE. You used that to operate from?

Mr. UVANNI. No, sir; I would just call from there.

Mr. RICE. Call Mooney?

Mr. UVANNI. Yes.

Mr. RICE. What would you talk to him about from there?

Mr. UVANNI. He could have told me where to call for the day or that afternoon.

Mr. RICE. Would you make a call in the evening there?

Mr. UVANNI. Sometimes; sometimes during the day and sometimes in the evening.

Mr. RICE. Who else works for Mooney that you know of as a come-back man? Do you know Davey Weinstein?

Mr. UVANNI. I have heard of him.

Mr. RICE. Have you ever run into him?

Mr. UVANNI. I have seen him.

Mr. RICE. You have met him?

Mr. UVANNI. Yes.

Mr. RICE. Do you talk shop with him?

Mr. UVANNI. No, sir.

Mr. RICE. As far as you know, does he work for Mooney?

Mr. UVANNI. I really couldn't tell you.

Mr. RICE. Does he work the Florida tracks?

Mr. UVANNI. I believe he does, but I couldn't say for sure.

Mr. RICE. What other men does he have?

Mr. UVANNI. I think—I knew Steve Portler.

Mr. RICE. Portler switched to the Kingston outfit; didn't he?

Mr. UVANNI. No, sir.

Mr. RICE. He is still with Mooney?

Mr. UVANNI. I really don't know whether he is or not. I don't think he is working at all now.

Mr. RICE. What track did he work?

Mr. UVANNI. He used to work Fairgrounds.

The CHAIRMAN. You seem to be paid better than these other fellows who were in here. They got \$100 a week and you get \$25 a day.

Mr. UVANNI. I don't get any expenses.

The CHAIRMAN. You pay your own expenses?

Mr. UVANNI. Yes, sir.

The CHAIRMAN. So generally all of you are paid about the same?

Mr. UVANNI. Practically; yes, sir.

The CHAIRMAN. Were several other come-back men using the same phones in Mrs. LeBlanc's house?

Mr. UVANNI. No; I was the only one there.

The CHAIRMAN. I think it is true that was a wigwag place, but you didn't see any wigwag?

Mr. UVANNI. No, sir; I never went past the first floor.

The CHAIRMAN. Did you operate with a confederate? Did you have somebody to help you, assist you?

Mr. UVANNI. No, sir.

The CHAIRMAN. You always did your own?

Mr. UVANNI. Yes, sir.

The CHAIRMAN. Mooney wouldn't call you, you would call him?

Mr. UVANNI. No; sometimes he would call me.

Mr. SHENKER. Not that place.

The CHAIRMAN. At the track?

Mr. UVANNI. Not inside the track; no, sir. Across the street.

The CHAIRMAN. He knew where he could reach you at any time?

Mr. UVANNI. Yes; that is right.

The CHAIRMAN. All right.

Mr. Shenker, do you want to ask anything?

Mr. SHENKER. I want to ask one question. I believe in all fairness we ought to straighten this out. This number that Mr. Rice mentioned, the Audubon number—you said that was your girl friend's number?

Mr. UVANNI. That is right.

Mr. SHENKER. You didn't call there in order to get instructions?

Mr. UVANNI. No. If anybody ever wanted me, they could always get me at that number.

Mr. SHENKER. She is just a girl friend of yours and you did not pay her for it?

Mr. UVANNI. No.

Mr. RICE. I notice Rosedale 7780, listed as John Mooney, Park Plaza, received several calls from that phone and he paid for them.

Mr. UVANNI. That phone, Audubon 0873, is not used for any kind of business.

The CHAIRMAN. We will let the record show this is just a friend of yours and didn't have anything to do with business.

Mr. UVANNI. In fact, she doesn't even know what I do for a living.

The CHAIRMAN. That is fair enough.

Mr. SHENKER. Thank you.

Senator HUNT. Mr. Doyle.

Mr. Doyle, do you solemnly swear the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DOYLE. I do.

TESTIMONY OF JOHN DOYLE, GARY, IND.

Mr. ROBINSON. Will you give your full name, please, Mr. Doyle?

Mr. DOYLE. My Christian name is John Doyle. I am known by Jack Doyle.

Mr. ROBINSON. And where do you live, Mr. Doyle?

Mr. DOYLE. 717 Carolina, Gary, Ind.

Mr. ROBINSON. For how long have you lived in Gary?

Mr. DOYLE. Approximately 18, 19 years.

Mr. ROBINSON. Try and keep your voice up, please.

Mr. DOYLE. Eighteen or nineteen years.

Mr. ROBINSON. And where were you before you came to Gary?

Mr. DOYLE. Oh, part of the time Chicago. I was born in Chicago.

Mr. ROBINSON. Were you in business in Chicago at anytime?

Mr. DOYLE. No, sir.

Mr. ROBINSON. What were the circumstances under which you went to Gary?

Mr. DOYLE. Well, I really don't know. Just one of those things. My dad died, and I was kind of roaming around, liked Gary and stayed there.

Mr. ROBINSON. Did you know a person by the name of Larry Finerty?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. He is from Gary?

Mr. DOYLE. No, sir, he was not from Gary. He was in Gary when he was a very young boy, but he lived in Highland, Ind. That is about 12 miles from Gary.

Mr. ROBINSON. Was he instrumental at all in your going to Gary?

Mr. DOYLE. No, sir, no.

Mr. ROBINSON. What business were you in, if any, when you first went to Gary?

Mr. DOYLE. When I first went to Gary?

Mr. ROBINSON. That is right.

Mr. DOYLE. I was not in any business.

Mr. ROBINSON. Did you enter a business in Gary at any time?

Mr. DOYLE. Afterwards; yes, sir.

Mr. ROBINSON. What business did you first engage in in Gary?

Mr. DOYLE. I believe I worked for Wholesale Beer Co., then.

Mr. ROBINSON. Who was your employer?

Mr. DOYLE. Lawrence Finerty and Leroy Jacobs.

Mr. ROBINSON. And how long did you stay in that business?

Mr. DOYLE. Probably 3 years.

Mr. ROBINSON. Then what did you do?

Mr. DOYLE. You mean after I left the beer business?

Mr. ROBINSON. That is right.

Mr. DOYLE. Well, I would have to refuse to answer that on the ground it would probably tend to incriminate me, for the time being.

Afterward, I opened up a restaurant. In between times, I would not answer.

Mr. ROBINSON. What was the answer to the other question? You say you refuse to answer?

Mr. DOYLE. I refuse to answer; yes, sir.

Mr. ROBINSON. On the grounds it would tend to incriminate you?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. What was the last phrase you added?

Mr. DOYLE. That I opened up a restaurant.

Mr. ROBINSON. Did you say, "for the time being"?

Mr. DOYLE. As of now; yes, sir.

Mr. ROBINSON. And under what law would it tend to incriminate you?

Mr. DOYLE. Well, I don't know, sir.

Mr. ROBINSON. State law or Federal law?

Mr. DOYLE. There is a State law. I don't know if there is a Federal law. Is there?

Mr. ROBINSON. I am asking you.

Mr. DOYLE. Well, I don't know. I am not a lawyer, sir.

Mr. ROBINSON. What is the basis upon which you are refusing to answer? On the grounds that it would tend to incriminate you, so far as a State violation is concerned?

Mr. DOYLE. Maybe both.

Mr. ROBINSON. It may be both? You are guessing now, is that right?

Mr. DOYLE. I know what the State law is. I don't know what the Federal law is.

Mr. ROBINSON. You are guessing at it?

Mr. DOYLE. Could be.

Mr. ROBINSON. I suggest to the chairman that he direct the witness to answer the question.

Senator HUNT. The Chair directs the witness to answer the question of counsel.

Mr. DOYLE. I still refuse to answer, Mr. Chairman. I am sorry.

Mr. ROBINSON. Now, what was the year that you left the beer business?

Mr. DOYLE. In 1943, I believe, sir.

Mr. ROBINSON. And do you remember was it before 1943 or during the year 1943?

Mr. DOYLE. I am not sure. It could have been the latter part of 1942 or the early part of 1943.

Mr. ROBINSON. Were you in a business during the year 1943 in which you got commissions?

Mr. DOYLE. Commissions?

Mr. ROBINSON. Yes.

Mr. DOYLE. I refuse to answer that for the same reason.

Mr. ROBINSON. I request the chairman to direct the witness to answer the question.

Senator HUNT. The chairman directs the witness to answer the question.

Mr. DOYLE. I refuse to answer, Chairman.

Mr. ROBINSON. Do you recall what the amount of income was that you got in 1943?

Mr. DOYLE. No, sir; I don't. You have my records on that. I gave you all my books for every month in Chicago at the time.

Mr. ROBINSON. Would your recollection be it was somewhere around \$8,000?

Mr. DOYLE. I imagine it would probably be around that.

Mr. ROBINSON. Would you state that that was commissions?

Mr. DOYLE. Well, I have already refused to answer that question, sir.

Mr. ROBINSON. Very well. What business are you in at present?

Mr. DOYLE. Restaurant business.

Mr. ROBINSON. What is the name of the restaurant?

Mr. DOYLE. Jackson's Restaurant.

Mr. ROBINSON. Where is that located?

Mr. DOYLE. 5101 East Dunes Highway, in Gary.

Mr. ROBINSON. How large a restaurant is that?

Mr. DOYLE. Well, our main dining room seats 175. Then we have a lunch room on the other side that seats approximately 25.

Mr. ROBINSON. That is a very sizeable restaurant, is it not?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And a very profitable one?

Mr. DOYLE. Well, I think it will be.

Mr. ROBINSON. What other businesses are you in, Mr. Doyle?

Mr. DOYLE. Other than the restaurant business?

Mr. ROBINSON. That is right.

Mr. DOYLE. I refuse to answer for the same reason.

Mr. ROBINSON. What is the basis for your refusal to answer that question?

Mr. DOYLE. On the grounds it would tend to incriminate me.

Mr. ROBINSON. Federal or State offense?

Mr. DOYLE. It could be either one. I am not sure of that Federal offense, Mr. Robinson. You keep asking me about that. Maybe you should enlighten me on it.

Mr. ROBINSON. I think I can enlighten you to this extent: That you have no right to refuse to answer a question on the grounds it would tend to incriminate you so far as a Federal offense is concerned.

Mr. DOYLE. And how about the State?

Mr. ROBINSON. Is that the grounds upon which you are refusing to answer?

Mr. DOYLE. I am not answering that; no.

Mr. ROBINSON. Have you gotten advice of counsel?

Mr. DOYLE. No. I am refusing to answer it on the grounds it would tend to incriminate me.

Mr. ROBINSON. And you have no real basis for that? You are just assuming that it might?

Mr. DOYLE. Just assuming that it might; that is right.

Mr. ROBINSON. I suggest to the chairman that the witness be directed to answer the question.

Senator HUNT. Mr. Doyle, it seems to the chairman that you are placing yourself in a rather precarious situation by refusing to answer questions which you just think may jeopardize yourself. The Chair directs you to answer that question.

Mr. DOYLE. Mr. Chairman, my own personal feeling is I do not want to answer them. Maybe I am right, and maybe I am wrong.

I know my own personal problems probably a lot better than you gentlemen do up there.

Senator HUNT. The Chair directs you to answer the question.

Mr. DOYLE. Well, I am sorry, I refuse to answer, sir.

Mr. ROBINSON. Well, Mr. Doyle, did you bring any records with you?

Mr. DOYLE. No, sir; I did not. I didn't have time. I could not get a plane out of Gary last night. I had to rush to get a 5:30 train, and the fact that my records were in your possession in Chicago for over a month, I did not think it was that necessary, either.

You subpoenaed me and my records over a month ago when you were in Chicago, and I left them there a month, and you returned them on your own volition.

Mr. ROBINSON. That is right.

Mr. DOYLE. Is that right?

Mr. ROBINSON. That is correct. I did want to have you produce some of your records so that I could refer to them.

Mr. DOYLE. I know, but I only had 24-hour notice to be in Washington.

Mr. ROBINSON. I understand that. Well, your records show, Mr. Doyle, that you have an interest in a company called the Calumet News Co. Will you state where that company is located?

Mr. DOYLE. I refuse to answer, sir, on the same grounds, and same reason.

Mr. ROBINSON. Well——

Senator HUNT. Mr. Doyle, to conserve our time, shall we have an understanding that on all questions which you refuse to answer, you understand that the Chair is directing you to answer?

Mr. DOYLE. Yes, sir; I understand.

Senator HUNT. Instead of putting the situation before you each individual time?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. You understand that, Mr. Doyle.

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. The record of the Calumet News Co. shows that it pays \$250 a week for wire service. Is that correct?

Mr. DOYLE. I refuse to answer, sir.

Mr. ROBINSON. You do not deny that that record is of the Calumet News Co., which you produced in response to the subpoena?

Mr. DOYLE. I refuse to answer.

Mr. ROBINSON. Do you understand my question?

Mr. DOYLE. You are asking me to deny it. I am not denying it. I am refusing to answer it, Mr. Robinson.

Mr. ROBINSON. But you did produce those books as your books of the Calumet News Co., in response to the subpoena?

Mr. DOYLE. You asked for books and records. Did you ask for the Calumet News in your subpoena?

Mr. ROBINSON. I think we asked for all books and records that showed payment for wire service.

Mr. DOYLE. Anything that I received a payment out of, I believe.

Mr. ROBINSON. Well; I do not think the subpoena specified particularly the Calumet News Co., but we did ask for all your books and records on any business that you were engaged in, and you produced the books and records of the Calumet News Co.

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Which I assume were your books.

Mr. DOYLE. That is right.

Mr. ROBINSON. And were books of a company in which you had an interest. Otherwise, I can't see any particular purpose for your producing the books.

Mr. DOYLE. That is right.

Mr. ROBINSON. And those books showed that you paid, or the Calumet News Co. pays, \$250 a week for wire service. You do not deny that that statement exists in the books that you produced?

Mr. DOYLE. No, sir, I don't.

Mr. ROBINSON. To whom was that \$250 paid?

Mr. DOYLE. I refuse to answer, for the same reason.

Mr. ROBINSON. Mr. Doyle, what is the Calumet Novelty Co.?

Mr. DOYLE. I refuse to answer that also.

Mr. ROBINSON. Do you have an interest in the Calumet Novelty Co.?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. What was your answer?

Mr. DOYLE. Yes; I answered the question.

Mr. ROBINSON. I did not hear it.

Mr. DOYLE. I said "Yes, sir."

Mr. ROBINSON. You do have an interest in it?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And what is your interest in that company?

Mr. DOYLE. I refuse to answer that. I admit for the record that I have something to do with Calumet News and Calumet Novelty Co., yes, sir.

Mr. ROBINSON. You do have something to do with it?

Mr. DOYLE. I did have, yes, sir.

Mr. ROBINSON. Do you presently have anything to do with it?

Mr. DOYLE. That I would refuse to answer.

Mr. ROBINSON. But you did have at one time.

Mr. DOYLE. Well, let's just leave it there. I answered your question there.

Mr. ROBINSON. But you did have an interest in it at one time?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. What was the extent of your interest at that time?

Mr. DOYLE. I refuse to answer, sir.

Mr. ROBINSON. Were you in partnership with somebody else?

Mr. DOYLE. I would refuse to answer that also.

Mr. ROBINSON. What type of business was it?

Mr. DOYLE. I would refuse to answer that also, sir.

Mr. ROBINSON. Was it a slot-machine business?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. Do you own any slot machines?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. Well, your records show that you do own slot machines. Do you deny that your records show that?

Mr. DOYLE. The records that I produced to you?

Mr. ROBINSON. That is right.

Mr. DOYLE. I am not admitting that I own slot machines, sir. I would refuse to answer the question.

Mr. ROBINSON. Are your records wrong, then?

Mr. DOYLE. I did not say they were wrong; no, sir. I am refusing to admit that I own slot machines.

Mr. ROBINSON. The records show you own 129 slot machines. Do you deny that?

Mr. DOYLE. I won't deny it or admit it.

Mr. ROBINSON. Where is the Calumet News Co. located?

Mr. DOYLE. Where is the Calumet News Co. located?

Mr. ROBINSON. That is right.

Mr. DOYLE. 21 West Tenth, I believe.

Mr. ROBINSON. And was the name of that company always the Calumet Novelty Co.?

Mr. DOYLE. Are you speaking of the Calumet News or Novelty Co.?

Mr. ROBINSON. Calumet Novelty Co., first.

Mr. DOYLE. As far as I know——

Mr. ROBINSON. Was the name of the Calumet News Co. always that name?

Mr. DOYLE. As far as I know.

Mr. ROBINSON. What is the Commercial News Co.?

Mr. DOYLE. Never heard of it.

Mr. ROBINSON. What type of building is located at 21 West Tenth Avenue?

Mr. DOYLE. Stores, hotel above it.

Mr. ROBINSON. Is there a Commercial News Co. located at that address?

Mr. DOYLE. Not to my knowledge.

Mr. ROBINSON. Do you know a person by the name of Joe Elias?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And do you know a person by the name of Broadway Bill Brown?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Who are they?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. Were you ever in business with them?

Mr. DOYLE. With them?

Mr. ROBINSON. That is right.

Mr. DOYLE. No, sir.

Mr. ROBINSON. Do you not know that they operate or did operate at one time the Commercial News Co.?

Mr. DOYLE. No, sir; never heard of that.

Mr. ROBINSON. Were they associated with the Calumet Novelty Co.?

Mr. DOYLE. Calumet Novelty Co.?

Mr. ROBINSON. That is right.

Mr. DOYLE. No, sir.

Mr. ROBINSON. Are they associated with the Calumet News Co.?

Mr. DOYLE. They could have been; yes, sir.

Mr. ROBINSON. What was that?

Mr. DOYLE. They could have been.

Mr. ROBINSON. Well, are they?

Mr. DOYLE. I believe they were.

Mr. ROBINSON. Are they still?

Mr. DOYLE. To my knowledge; no.

Mr. ROBINSON. Were you associated with them at one time?

Mr. DOYLE. I would refuse to answer that, sir.

Mr. ROBINSON. Mr. Doyle, did you ever have any dealings with the Automatic Coin Machine & Supply Co.?

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. You know of the company? You know of the company, do you not?

Mr. DOYLE. Yes, sir; very well.

Mr. ROBINSON. And where are they located?

Mr. DOYLE. In Chicago, somewhere.

Mr. ROBINSON. And did you ever make payments to that company?

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. What is the company? What do they deal in? Do you know that?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Well, what do they sell?

Mr. DOYLE. Slot machines.

Mr. ROBINSON. What other items?

Mr. DOYLE. I don't know.

Mr. ROBINSON. Do they sell parts?

Mr. DOYLE. I imagine they do.

Mr. ROBINSON. And you do not deny the fact, do you, that the books and records which you produced in response to the committee's subpoena showed the payment by you, check signed by you, payable to the Automatic Coin Machine & Supply Co. for a period from January 1948 to March 1949, totaling approximately \$24,000?

Mr. DOYLE. You are asking me now to admit that?

Mr. ROBINSON. Well, you have made payments by check to that company, have you not?

Mr. DOYLE. That is right.

Mr. ROBINSON. In approximately that amount?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And what would those payments be for?

Mr. DOYLE. Well, I would refuse to answer that, sir.

Mr. ROBINSON. It is for slot machines, is it not?

Mr. DOYLE. I don't know. I would not say. I would refuse to answer it.

Mr. ROBINSON. Mr. Chairman, I would like to introduce in evidence a document showing the sums paid by Mr. Doyle to the Automatic Coin Machine & Supply Co. for the period from January 21, 1948, to March 3, 1949, in the sum of \$24,025.03, which was taken from the books and records produced by Mr. Doyle pursuant to his subpoena issued by this committee.

Senator HUNT. The exhibit will be received in the record, and will be designated "Exhibit No. 13."

(The document referred to was marked "Exhibit No. 13," and is on file with the committee.)

Mr. ROBINSON. Do you know Ed Vogel, Mr. Doyle?

Mr. DOYLE. No, sir; I don't.

Mr. ROBINSON. Have you ever heard of him?

Mr. DOYLE. I believe I read about him in the paper. I don't know him, though.

Mr. ROBINSON. Did you ever have any dealings with him?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Mr. Doyle, what is the arrangement that you have when you place slot machines in Gary, so far as the splitting of profits is concerned?

Mr. DOYLE. I would refuse to answer that, sir.

Mr. ROBINSON. Is it true that your records show that the split is on a 60-40 percent basis?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. Does the Calumet News Co. sell news to bookies in Gary?

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. Is it true that the Calumet News Co. books show that the customers to whom it sells news, splits their profits with the Calumet News Co. on a 50-50 basis?

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. Mr. Doyle, who is Mr. Crawford, William H. Crawford?

Mr. DOYLE. What do you mean by "who is he"?

Mr. ROBINSON. Let me rephrase it. Do you know a William H. Crawford?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And where does he live?

Mr. DOYLE. Right now, I could not tell you. I haven't seen him in a year.

Mr. ROBINSON. What business was he in, if you know?

Mr. DOYLE. At what time?

Mr. ROBINSON. Well, let us say 1949.

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. He was in partnership with you in 1949, was he not?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. And has been in partnership with you since 1946?

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. Who is Mr. Kirsch?

Mr. DOYLE. What do you mean, Mr. Robinson, who he is?

Mr. ROBINSON. Do you know a Mr. Kirsch?

Mr. DOYLE. Yes, sir. He is dead.

Mr. ROBINSON. When did he die?

Mr. DOYLE. Oh, I imagine, I believe last September, something like that.

Mr. ROBINSON. And what business was he in?

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. You were in partnership with him also, were you not?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. In the Calumet News Co.?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. Now, who is John A. Elias?

Mr. DOYLE. You keep asking me; who is he. Do you mean do I know John A. Elias?

Mr. ROBINSON. Do you know him?

Mr. DOYLE. Yes, sir; I know him.

Mr. ROBINSON. And are you in business with him?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Have you ever been in business with him?

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. Do you know Paul and Donald M. Dacey?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And have you been in business with them?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. What is the 442 Club?

Mr. DOYLE. What do you mean by "what is the 442 Club"?

Mr. ROBINSON. Do you know of a 442 Club?

Mr. DOYLE. At the present time, you mean?

Mr. ROBINSON. Yes.

Mr. DOYLE. No, sir.

Mr. ROBINSON. Did you know of it?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And did you have an interest in it?

Mr. DOYLE. I would refuse to answer.

Mr. ROBINSON. What sort of club is it?

Mr. DOYLE. I would refuse to answer also.

Mr. ROBINSON. What is the Paradise Recreation Co.? Do you know of such a company?

Mr. DOYLE. Oh, that was a bowling alley.

Mr. ROBINSON. Do you have an interest in that?

Mr. DOYLE. I did; yes, sir.

Mr. ROBINSON. Do you still have an interest in it?

Mr. DOYLE. No.

Mr. ROBINSON. Who were your partners in that?

Mr. DOYLE. William Crowe and Robert Rice.

Mr. ROBINSON. Do you know a man by the name of Sonny Sheetz?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Do you know a man by the name of Warren Gardner, known as Pete Gardner?

Mr. DOYLE. Are you sure you have the name right, the first name?

Mr. ROBINSON. It is Warren or William.

Mr. DOYLE. I believe it is William.

Mr. ROBINSON. He is known as Pete Gardner; is that right?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. How long have you known them?

Mr. DOYLE. Gardner not so long. Sheetz probably—I don't know—12, 15 years.

Mr. ROBINSON. And what business are they in?

Mr. DOYLE. Well, that wouldn't be for me to answer what business anyone is in.

Mr. ROBINSON. Well, do you know?

Mr. DOYLE. I would refuse to answer, sir.

Mr. ROBINSON. You refuse to answer as to what business they are in?

Mr. DOYLE. That isn't my place to tell you what business someone else is in, Mr. Robinson.

Mr. ROBINSON. Well, do you know?

Mr. DOYLE. No. I will say I don't know what business they are in.

Mr. ROBINSON. You say you do not know what business they are in?

Mr. DOYLE. That is right. I heard of rumors what business a lot of people were supposed to be in; but for me to say for a fact that I know what business you or anyone would be in, I would be lying to say that.

Mr. ROBINSON. Tell me what you have heard as to what business they were in.

Mr. DOYLE. No, sir; I would not. I would refuse to.

Mr. ROBINSON. You refuse to tell what you have heard?

Mr. DOYLE. That is right.

Mr. ROBINSON. On the grounds it would tend to incriminate you?

Mr. DOYLE. No. I don't think it is good judgment for me to tell somebody else what somebody else's business is.

Mr. ROBINSON. I ask the chairman to direct you to answer the question as to what you have heard as to what business Sheetz is in.

Mr. DOYLE. I would refuse to answer, sir.

Senator HUNT. I understand, Mr. Doyle, that you are refusing to answer a question that could in no way incriminate yourself.

Mr. DOYLE. Well, I don't think it's fair, Mr. Chairman, for Mr. Robinson to put me on the spot my making me say that I know another man's business when what I hear is rumors.

I couldn't go in and testify that I know what that man's business is.

Senator HUNT. We are not interested in your observations, Mr. Doyle. You stand on refusing to answer the question?

Mr. DOYLE. That is right; yes, sir.

Mr. ROBINSON. Let me put it another way, Mr. Doyle. Have you not heard that both of those individuals operated a place called the Big House?

Mr. DOYLE. No; I will refuse to answer that.

Mr. ROBINSON. You have never heard that?

Mr. DOYLE. I did not say I never heard of it. I am just refusing to answer it.

Mr. ROBINSON. Have you ever been in a place called the Big House?

Mr. DOYLE. No, sir; I never have.

Mr. ROBINSON. It is true, is it not, that both those individuals run the Big House?

Mr. DOYLE. I don't know, sir.

Mr. ROBINSON. And it is true, is it not, that that is one of the largest gambling establishments in the East Chicago area, Gary and Hammond area; is that not true?

Mr. DOYLE. I do not know. I have never been in there.

Mr. ROBINSON. And is it not also true that the returns from that house approximate \$1,000,000 a year?

Mr. DOYLE. I repeat, I have never been in the Big House, Mr. Robinson.

Mr. ROBINSON. Have you ever telephoned to that place?

Mr. DOYLE. No, sir; I never have.

Mr. ROBINSON. Have you ever received any calls from that place?

Mr. DOYLE. No, sir; to my knowledge, no.

Mr. ROBINSON. Mr. Doyle, who was Larry Finerty? I assume you knew him?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And knew him for a number of years?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. How well did you know him?

Mr. DOYLE. Quite well.

Mr. ROBINSON. Were you ever in business with him?

Mr. DOYLE. I worked for him.

Mr. ROBINSON. And in what type of business was he engaged?

Mr. DOYLE. He had a wholesale beer company at that time.

Mr. ROBINSON. And did you work for him after you left the wholesale beer company?

Mr. DOYLE. No, sir.

Mr. ROBINSON. What business did he go into after the wholesale beer company?

Mr. DOYLE. Well, he had an oil and supply company over in Indiana Harbor.

Mr. ROBINSON. What other business?

Mr. DOYLE. That is all; to my knowledge.

Mr. ROBINSON. To your knowledge, what business did he try to go into?

Mr. DOYLE. None that I know of.

Mr. ROBINSON. Do you know that he attempted to go into the wire-service business?

Mr. DOYLE. No, sir; not to my knowledge.

Mr. ROBINSON. Do you know that he attempted to get wireless service?

Mr. DOYLE. Not to my knowledge; no, sir.

Mr. ROBINSON. Is he still living?

Mr. DOYLE. No, sir; he isn't.

Mr. ROBINSON. What happened to him?

Mr. DOYLE. He was killed.

Mr. ROBINSON. When was he killed?

Mr. DOYLE. I believe in 1945.

Mr. ROBINSON. And was the murder ever solved?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Do you know at the time that he was killed that he was attempting to get wire service?

Mr. DOYLE. No, sir; I do not.

Mr. ROBINSON. You heard that?

Mr. DOYLE. I believe you are the one that told me it the first time.

Mr. ROBINSON. You never heard that from any other source except myself?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Did you also ever hear that he had paid a week's advance for the wire service to the Midwest News Co.?

Mr. DOYLE. No, sir; I did not.

Mr. ROBINSON. Just prior to the time he was shot?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Were you ever in any gambling business with Larry Finerty?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Did you ever work as a miss-out man?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Did you know Larry Finerty's brother, Joseph Finerty?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. How well did you know him?

Mr. DOYLE. Oh, I knew him fairly well.

Mr. ROBINSON. And was he not the mayor of Gary for some period of years?

Mr. DOYLE. Yes, sir. I wonder if I could get a glass of water. My throat is giving out here.

Mr. ROBINSON. Did you know a Harry Hyams?

Mr. DOYLE. No, sir; I do not.

Mr. ROBINSON. Have you ever heard of him?

Mr. DOYLE. Yes; I have heard of him.

Mr. ROBINSON. Did you ever hear of him in connection with Sheetz and Gardner?

Mr. DOYLE. I refuse to answer. I have heard of him.

Mr. ROBINSON. Is it not true that he was a partner of Sheetz and Gardner?

Mr. DOYLE. I couldn't answer that.

Mr. ROBINSON. And you never have heard of that partnership which operated the Big House? You never had heard that?

Mr. DOYLE. That——

Mr. ROBINSON. That those three individuals operated the Big House.

Mr. DOYLE. Yes; I probably have heard it; but to me that is just rumors. I couldn't say that they did or have or anything like that.

Mr. ROBINSON. And had you ever heard any rumors of what business the Big House was?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And what were those rumors?

Mr. DOYLE. That they gambled there.

Mr. ROBINSON. That they ran a book there?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And ran roulette?

Mr. DOYLE. I have never been in there, Mr. Robinson.

Mr. ROBINSON. I mean, have you heard that?

Mr. DOYLE. You hear a lot of things; certainly.

Mr. ROBINSON. It was pretty general knowledge, was it not? Would you say it was general knowledge?

Mr. DOYLE. Yes; that the Big House was operating, you mean?

Mr. ROBINSON. That is right.

Mr. DOYLE. Yes.

Mr. ROBINSON. Did you ever hear of the Big House having any trouble so far as being raided by the law-enforcement officials?

Mr. DOYLE. I don't live in Indiana Harbor, Mr. Robinson. I don't hear a lot of things that happened in Indiana Harbor.

Mr. ROBINSON. Have you ever been arrested, Mr. Doyle?

Mr. DOYLE. About 20 years ago, probably, one minor little affair.

Mr. ROBINSON. You have never been arrested while you were in Gary?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Who is the chief of police there?

Mr. DOYLE. Millard Mattarena.

Mr. ROBINSON. Have you known him a long time?

Mr. DOYLE. Quite long; 10 years probably.

Mr. ROBINSON. Have you been quite friendly with him?

Mr. DOYLE. No; I couldn't say. You mean friendly how? That we would go out together, things like that?

Mr. ROBINSON. That is right.

Mr. DOYLE. No, sir; no.

Mr. ROBINSON. Now, who is Virginia Finerty?

Mr. DOYLE. That was Larry Finerty's wife.

Mr. ROBINSON. And she was on your payroll?

Mr. DOYLE. I will refuse to answer that, sir.

Mr. ROBINSON. Did you not pay her \$500 a month for a period of time?

Mr. DOYLE. How far back? Is this before Mr. Finerty's death or afterward?

Mr. ROBINSON. I believe it was after Mr. Finerty's death.

Mr. DOYLE. Well, I will refuse to answer.

Mr. ROBINSON. Would you deny that your records show payments to Mrs. Finerty by checks signed by you?

Mr. DOYLE. No. I wouldn't deny it. I think the money would be mine, I could do what I wanted with it, couldn't I?

Mr. ROBINSON. I am merely inquiring as to why you would be paying Larry Finerty's widow. Was she working for you?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Performing some job for you?

Mr. DOYLE. No, sir.

Mr. ROBINSON. What would be the purpose of paying her?

Mr. DOYLE. Good friends.

Mr. ROBINSON. Some obligation you felt to her husband?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Or was it just sort of a friendly, charitable gesture on your part?

Mr. DOYLE. That is right.

Mr. ROBINSON. Well, for how long a period of time did you pay her, approximately?

Mr. DOYLE. Oh, I gave her money off and on, maybe over a period of 3 years or so.

Mr. ROBINSON. Did you ever hear of the R. & H. Publishing Co.

Mr. DOYLE. R. & H. Publishing Co.?

Mr. ROBINSON. Yes.

Mr. DOYLE. I believe I read it in the paper.

Mr. ROBINSON. Have you ever done business with them?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Have you ever heard of the Midwest News Co.?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Have you ever done business with them?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Have you ever heard of the General News Co.?

Mr. DOYLE. General News?

Mr. ROBINSON. Yes.

Mr. DOYLE. I don't think so.

Mr. ROBINSON. Have you ever heard of Trans-American Publishing Co.?

Mr. DOYLE. I have heard of that; yes.

Mr. ROBINSON. Did you ever do business with them?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Let me put it another way. Do you know how the Gary area?

Mr. DOYLE. Well, I will refuse to answer that, sir.

Mr. ROBINSON. Let me put it another way. Do you know how the bookmaking establishments in Gary obtain their wire service news?

Mr. DOYLE. I would also refuse to answer that.

Mr. ROBINSON. Now, as to Virginia Finerty, was there anything else besides this charitable feeling on your part?

Mr. DOYLE. None whatever.

Mr. ROBINSON. That was the basis for your paying?

Mr. DOYLE. None whatever.

Mr. ROBINSON. Did it have anything to do with the death of her husband?

Mr. DOYLE. Did I?

Mr. ROBINSON. I say, did the payments have anything to do with the death of her husband?

Mr. DOYLE. No, sir; absolutely none.

Mr. ROBINSON. Did I ask you—I don't remember—what was the date of his death? Do you remember?

Mr. DOYLE. It was in 1945. The date I can't recall.

Mr. ROBINSON. And you heard, of course, of the death of James Ragen?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Did you ever connect the two up in your own mind in any way?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Now, Mr. Doyle, do you know Blaz A. Lucas?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. And who is he?

Mr. DOYLE. He was deputy prosecutor in the city of Gary.

Mr. ROBINSON. He was what?

Mr. DOYLE. Deputy prosecutor in the city of Gary.

Mr. ROBINSON. And how long did you know him?

Mr. DOYLE. Oh, probably 7, 8 years, I imagine.

Mr. ROBINSON. And you knew him quite well?

Mr. DOYLE. Oh, I knew him well enough to say hello to him; things like that; yes.

Mr. ROBINSON. And did you support him in his political campaigns?

Mr. DOYLE. Well, Mr. Lucas never ran for office.

Mr. ROBINSON. Did you support his candidates?

Mr. DOYLE. Well, I will refuse to answer that.

Mr. ROBINSON. Did you ever make any political contributions to Mr. Lucas?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Or anyone else's candidacy?

Mr. DOYLE. No, sir.

Mr. ROBINSON. You have been quite interested in politics in Gary itself; is that right?

Mr. DOYLE. Well, that is a rather hard question to answer. No, sir, I will just leave it no comment.

Mr. ROBINSON. Well, it is a very simple question.

Mr. DOYLE. I know it is. It is too simple to answer.

Mr. ROBINSON. Have you been interested in politics in Gary?

Mr. DOYLE. To an extent, at times.

Mr. ROBINSON. You have been interested in the person who gets the office of prosecuting attorney and the office of the chief investigator, have you not?

Mr. DOYLE. Not particularly; no.

Mr. ROBINSON. What do you mean by "not particularly"?

Mr. DOYLE. Well, I could be interested in politics. You are bringing out one office. When you say, "Are you interested in politics," do you mean in just one particular office?

Mr. ROBINSON. Well, what about the other offices? Include the other ones, too.

Mr. DOYLE. I could be interested in politics if I like somebody. It wouldn't have to be a prosecutor necessarily; would it?

Mr. ROBINSON. Mr. Doyle, I am asking you.

Mr. DOYLE. Well, I am trying to explain it the best way I know how.

Mr. ROBINSON. Have you been interested in who occupies the position of sheriff?

Mr. DOYLE. Not particularly; no.

Mr. ROBINSON. Have you ever made contributions to candidates for that office?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Have you ever been solicited for contributions?

Mr. DOYLE. No.

Mr. ROBINSON. Have you ever made any political contributions?

Mr. DOYLE. Well, do you mean by that did I ever spend any money in politics?

Mr. ROBINSON. Well, let us approach it that way. Have you?

Mr. DOYLE. Yes; I have.

Mr. ROBINSON. And was it in connection with the prosecutor's office?

Mr. DOYLE. It was in connection with general elections.

Mr. ROBINSON. Do you know a man by the name of Schwartz?

Mr. DOYLE. Schwartz?

Mr. ROBINSON. Yes.

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. What is his first name?

Mr. DOYLE. Ben.

Mr. ROBINSON. Ben Schwartz?

Mr. DOYLE. That is right.

Mr. ROBINSON. And what position does he occupy?

Mr. DOYLE. He was prosecutor of Lake County.

Mr. ROBINSON. And how long have you known him?

Mr. DOYLE. Oh, 10 years, probably.

Mr. ROBINSON. Have you known him quite well?

Mr. DOYLE. Yes; I have known him quite well.

Mr. ROBINSON. And you helped him out in all the campaigns that he has been engaged in?

Mr. DOYLE. Well, there is only two times that he ever ran for office. One time he was elected. The other time he was defeated.

Mr. ROBINSON. But you helped him in his campaign?

Mr. DOYLE. Well, I helped, you might say, a general cause, not him in particular.

Mr. ROBINSON. Do you know anything about the record he had while in office, so far as putting down gambling is concerned?

Mr. DOYLE. I didn't quite understand that, Mr. Robinson.

Mr. ROBINSON. Do you know anything about the record he had while in office so far as putting down gambling is concerned?

Mr. DOYLE. Well, I don't think that is for me to answer that.

Mr. ROBINSON. Well, you either know or you do not know. Did he have a good record, so far as you know?

Mr. DOYLE. I think he had a fairly good record; yes.

Mr. ROBINSON. Were you ever arrested by him?

Mr. DOYLE. By him?

Mr. ROBINSON. Yes.

Mr. DOYLE. No, sir. The prosecutor is not in the habit of making arrests at any time.

Mr. ROBINSON. Were you ever prosecuted by him?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Were you ever arrested by or investigated by his deputy, Lucas? Or anyone in his office?

Mr. DOYLE. No, sir.

Mr. ROBINSON. In connection with gambling?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Never?

Mr. DOYLE. No.

Mr. ROBINSON. Do you know Francis Curry?

Mr. DOYLE. No, I don't.

Mr. ROBINSON. You never heard of him?

Mr. DOYLE. No; I don't think I have.

Mr. ROBINSON. You know Paul Jackson. He is your partner in the restaurant business; is that right?

Mr. DOYLE. That is right; yes.

Mr. ROBINSON. Is he partner with you in any other enterprises?

Mr. DOYLE. No, sir, he isn't. The restaurant and the real-estate account that we have.

Mr. ROBINSON. Now, from an examination of your record, Mr. Doyle, your ledger book No. 1 on page 8 shows an item showing 40 percent house and 60 percent to the new partnership. Could you explain that?

Mr. DOYLE. No; I don't understand what you mean.

Mr. ROBINSON. That does not refresh your recollection?

Mr. DOYLE. Not at all.

Mr. ROBINSON. In another one of your books which you produced, there is an item called "Ben Sub Book, 4509 Broadway, 40 percent to Ben, 60 percent to us." That is in your ledger 1 at page 40. Does that mean anything to you?

Mr. DOYLE. Well, I will refuse to answer that, sir.

Mr. ROBINSON. Now, who is Joe Elias? Do you know him?

Mr. DOYLE. Yes, sir. You asked me that before.

Mr. ROBINSON. Was he the same one?

Mr. DOYLE. That is right.

Mr. ROBINSON. I thought it was a different first name.

Mr. DOYLE. No, sir.

Mr. ROBINSON. Joe Elias.

Mr. DOYLE. The same one.

Mr. ROBINSON. Does he have a business at the Roosevelt Hotel?

Mr. DOYLE. No, sir; not that I know of.

Mr. ROBINSON. Is he a customer of yours?

Mr. DOYLE. A customer of mine?

Mr. ROBINSON. Yes.

Mr. DOYLE. No, sir.

Mr. ROBINSON. Do you have a customer named Patrick Lahaie?

Mr. DOYLE. What do you mean by "customer," Mr. Robinson?

Mr. ROBINSON. A person that you deal with or sell something to.

Mr. DOYLE. What was the name, Patrick what?

Mr. ROBINSON. L-a-h-a-i-e.

Mr. DOYLE. What is the date on that ledger?

Mr. ROBINSON. It is ledger 1, page 47.

Mr. DOYLE. Well, I will just refuse to answer it.

Mr. ROBINSON. Have you ever heard of the Gary Crime Commission?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Has that organization been interested in any of your activities?

Mr. DOYLE. Interested in my activities?

Mr. ROBINSON. Yes.

Mr. DOYLE. How do you mean, Mr. Robinson?

Mr. ROBINSON. Well, have you ever been interviewed by them?

Mr. DOYLE. No, sir.

Mr. ROBINSON. You never have?

Mr. DOYLE. No.

Mr. ROBINSON. You are, of course, familiar with the fact that that organization had a wire recording in the office of Mr. Lucas, are you not?

Mr. DOYLE. I read the booklet on it; yes, sir.

Mr. ROBINSON. Is this the booklet?

Mr. DOYLE. Yes, sir; that is it.

Mr. ROBINSON. And what would you say about the booklet? The booklet is entitled "The Microphone Speaks. Transcription of recordings of certain conversations in the office of Blaz A. Lucas, chief Gary deputy of the Lake County prosecuting attorney, in which matters of public interest are concerned."

Have you read that pamphlet?

Mr. DOYLE. Yes, sir; I have.

Mr. ROBINSON. Do you wish to make any observations about it?

Mr. DOYLE. No, sir. It is not my place to make the observations.

Mr. ROBINSON. Do you care to make any observations on this transcript of the recording in which Mr. Lucas made this statement:

And here is something else—now, if you fellows had told me you wanted some machines, loaned some, I could have gotten you one from Jack Doyle.

Mr. DOYLE. Does it say "Jack Doyle"?

Mr. ROBINSON. That is right, "because Steve Sohacki has got no business putting anything in the city of Gary."

Mr. DOYLE. I thought it just said "Jack." Maybe I'm mistaken. It's been quite a while since I have read it.

Mr. ROBINSON. Is it true that the machines could have been gotten from you?

Mr. DOYLE. Well, I will refuse to answer that, sir.

Mr. ROBINSON. Did Mr. Lucas ever ask you for any money for any political campaign?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Did he ever send anybody or anyone to you soliciting money?

Mr. DOYLE. No.

Mr. ROBINSON. Or soliciting your support?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Who is this chap that I just mentioned, Mr. Doyle, Lahiae? Is it somebody that you have known for some time?

Mr. DOYLE. Yes; I know him; yes, sir.

Mr. ROBINSON. Do you know what business he is in?

Mr. DOYLE. He is in the dry-cleaning business.

Mr. ROBINSON. Is he in any other business?

Mr. DOYLE. No, sir.

Mr. ROBINSON. Why would he appear on the books?

Mr. DOYLE. Well, that is why I asked how old the book was that you took it out of.

Mr. ROBINSON. Well, it was your ledger No. 1; I don't know what year it was.

Mr. DOYLE. I don't know, either.

Mr. ROBINSON. With whom did you deal in the Automatic Coin Machine Co.?

Mr. DOYLE. You mean individual names?

Mr. ROBINSON. Yes.

Mr. DOYLE. Irving Ovitiz, I believe it is—O-v-i-t-z; I am not sure if it is the correct spelling on that.

Mr. ROBINSON. Did you deal personally with him?

Mr. DOYLE. Well, I will refuse—

Mr. ROBINSON. For machines?

Mr. DOYLE. I will refuse to answer that.

Mr. ROBINSON. Who is L. B. Clayton? Do you know anybody by that name?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Is he still sheriff of the county?

Mr. DOYLE. No, sir; he is not.

Mr. ROBINSON. When was he sheriff?

Mr. DOYLE. He was sheriff 4 years, up until he went out of office this January 1 of 1951.

Mr. ROBINSON. How long did you know him?

Mr. DOYLE. Well, he is the ex-mayor of Gary also.

Mr. ROBINSON. Do you know him quite well?

Mr. DOYLE. Yes, sir.

Mr. ROBINSON. Did he ever father you in any of your operations while he was sheriff?

Mr. DOYLE. My operations?

Mr. ROBINSON. Yes; in any of your operations.

Mr. DOYLE. I will refuse to answer that.

Mr. ROBINSON. Did you ever hear of Harry Hines being in the wire service business?

Mr. DOYLE. No, sir; I never have.

Mr. ROBINSON. Did you ever hear of his being associated with Frank Nitti?

Mr. DOYLE. I don't know Frank Nitti, sir, and I don't know Harry Hines.

Mr. ROBINSON. You have heard of Frank Nitti?

Mr. DOYLE. Yes; I have.

Senator HUNT. The witness is excused. The hearing will stand in recess for 5 minutes.

(Short recess.)

(After a short recess, the committee heard the testimony of Hugh L. Culbreath, sheriff of Hillsborough County, Fla., which is included in Part 1A, Florida, of the hearings of the committee. The hearing was adjourned at 7 p. m., to reconvene at 10 a. m., Monday, February 19, 1951.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

TUESDAY, FEBRUARY 20, 1951

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 2 p. m., in room G-16, United States Capitol Building, Senator Estes Kefauver (chairman) presiding.

Present: Senators Kefauver and Tobey.

Also present: Downey Rice, associate counsel; John L. Burling, associate counsel; and Joseph L. Nellis, assistant counsel.

The CHAIRMAN. Will the hearing please come to order.

Is Mr. O'Hara here?

Mr. O'HARA. Yes, sir; present.

The CHAIRMAN. Will you come around, Mr. O'Hara? Please raise your right hand and be sworn.

Do you solemnly swear the testimony you are about to give this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. O'HARA. I do.

The CHAIRMAN. Let the record show, of course, the date this is being taken, but let it follow the inquiry we had the other day with reference to certain race-track operations.

Mr. RICE. That was on Saturday, the 17th.

The CHAIRMAN. Yes; Saturday, the 17th; so that we can have continuity in the record.

All right, Mr. Rice.

**TESTIMONY OF LAWRENCE EDMUND O'HARA, BALTIMORE, MD.;
ACCOMPANIED BY GEORGE HARLAN, ATTORNEY, BALTIMORE,
MD.**

Mr. RICE. Will you state your name for the record, please.

Mr. O'HARA. L. E. O'Hara.

Mr. RICE. Is that L. Edmund O'Hara?

Mr. O'HARA. Lawrence Edmund O'Hara.

Mr. RICE. And what is your address, please?

Mr. O'HARA. 509 East Thirty-ninth Street, Baltimore, Md., zone 18.

Mr. RICE. What is your business, Mr. O'Hara?

Mr. O'HARA. My business has been since 1921 connected with the race tracks.

Mr. RICE. I see. And what is your position at Bowie?

Mr. O'HARA. At present it is general manager.

Mr. RICE. General manager?

Mr. O'HARA. Yes, sir.

Mr. RICE. Are you also an officer and stockholder?

Mr. O'HARA. Yes; I am a director and a stockholder, owning two shares to qualify me to be a director.

Mr. RICE. Do you hold any office there?

Mr. O'HARA. Just what do you mean by that?

Mr. RICE. Are you an officer, the president or the treasurer?

Mr. O'HARA. Vice president.

Mr. RICE. Vice president?

Mr. O'HARA. Yes, sir.

Mr. RICE. Who are the officers, Mr. O'Hara?

Mr. O'HARA. Well, there is John W. Farrell, Howard Pierce, Josephine M. O'Hara, Ed Farrell, Sr., Ed Farrell, Jr., Mary L. Conroy—

Mr. RICE. Are they all officers.

Mr. O'HARA. They are directors.

Mr. RICE. Who are the officers?

Mr. O'HARA. John W. Farrell was president, and he has been removed from the presidency.

Mr. RICE. I see.

Mr. O'HARA. Howard L. Pierce was secretary and treasurer, but he has been removed from his office.

Mr. RICE. Yes. Now, then, you are really not quite sure who—

Mr. O'HARA. Well, there have been so many changes around there, that I am not really up to date on it.

Mr. RICE. As general manager, what are your duties at the track?

Mr. O'HARA. Well, I have tried myself very hard to have that defined to me, because certain duties that I thought were mine have been usurped or taken over by the president.

Mr. RICE. I see.

Mr. O'HARA. In other words, I am general manager at Marlboro, too, and I discharged a man at Marlboro, and the president put him back to work, so I am in a quandary myself to know just what my duties are.

Mr. RICE. Do you have any contract as general manager? Do you work under a contract?

Mr. O'HARA. No, sir; I have no contract; it is just year to year.

Mr. RICE. Who actually makes the arrangements for your retention as general manager?

Mr. O'HARA. Well, the directors appoint the manager.

Mr. RICE. The directors do appoint the manager?

Mr. O'HARA. Yes.

Mr. RICE. I take it, then, that you get your instructions from the directors?

Mr. O'HARA. Well, we have a board of directors, and we also have an executive board. Anything that involves any kind of money at all, for instance, in an amount of \$500 or over, that is taken up with the executive board.

Mr. RICE. Anybody that has a what?

Mr. O'HARA. If we have finances involving as much as \$500 or more—in other words, I can spend up to \$500 without asking anyone's opinion—

Mr. RICE. Oh, if you have an expenditure in excess of \$500, then what do you have to do?

Mr. O'HARA. I have to take it up with the board of directors or the executive board.

Mr. RICE. And they authorized it?

Mr. O'HARA. Well, they either authorize it or they discount it.

Mr. RICE. Now, then, with respect to the mutuel department, do you have any jurisdiction over that?

Mr. O'HARA. Yes, I do, quite a bit.

Mr. RICE. What is that?

Mr. O'HARA. Well, as a matter of fact, I have jurisdiction over everything pertaining to the races.

In other words, the general manager, in my opinion, is in charge of racing. When the meeting is in the course of being run, and the mutuel department comes under my jurisdiction, the same as the track superintendent, or anything pertaining to racing or to the race meeting.

Mr. RICE. Would it be fair to say that you, then, are the boss of the track?

Mr. O'HARA. Not exactly. Quite so, but not exactly, because during a race meeting, if you read the rules of racing in Maryland and most States, I believe you will find that the supreme judge of the conduct of racing when the track is in operation is the State steward.

Mr. RICE. Is the State steward?

Mr. O'HARA. Yes; he is over me, the president and all the stockholders. He is the supreme judge, and he is Joseph Flannigan, appointed by the racing commission in Maryland.

Mr. RICE. In other words, he is the judge over any violation of the racing rules?

Mr. O'HARA. That is right, anything that comes up on the race track, while racing is being conducted during a meeting, that is all under his jurisdiction.

Mr. RICE. But he would not tell you who to hire and fire, would he?

Mr. O'HARA. No, no, but we have to, by the rules of the racing commission, send to them a list of all our employees, our officers, and even our mutuel employees, to be passed upon by the racing commission in Maryland 15 days prior to the meeting.

Mr. RICE. Well—

Mr. O'HARA. That is for their approval or disapproval.

Mr. RICE. Would it be fair to say that the track policy is made by the directors and the manager, and if there are any policies that are offensive to Mr. Flannigan he will take some appropriate steps, but up until that time, if everything is going all right, he takes no action. Is that about the story?

Mr. O'HARA. That is correct.

Mr. RICE. All right, sir.

Now, we have had several questions come up apparently concerning track policy. Would you say that you are in a position of establishing track policy or putting it into action?

Mr. O'HARA. No; I think the policy of the corporation is conducted by the president.

Mr. RICE. Yes.

Mr. O'HARA. I just carry out the president's orders, or the board of directors' orders.

Mr. RICE. All right.

Mr. O'HARA. The policy is done by the president.

Mr. RICE. You may have read or heard that there was some testimony here Saturday of one man who said he called himself a come-back man.

Mr. O'HARA. Yes, sir.

Mr. RICE. And that he had, through the cooperation of the track, specifically a man by the name of Pending. I understand he is track superintendent.

Mr. O'HARA. Is the track superintendent; yes.

Mr. RICE. That he had made arrangements for the use of a telephone within the enclosure of the track. I think he named the telephone as being Bowie 2171.

Mr. O'HARA. That is right.

Mr. RICE. Isn't that the switchboard of the track?

Mr. O'HARA. That is right.

Mr. RICE. And it has something like four trunks in it?

Mr. O'HARA. Well, I don't know how many trunks there are in there, but there is a PX line, which goes to the switchboard, 2171 is the track number.

Mr. RICE. What do you have to say about that arrangement, when the come-back men use the telephone in the track?

Mr. O'HARA. Well, I don't know just what you mean by what I have to say about it.

Mr. RICE. Is that acceptable to the management level?

Mr. O'HARA. Yes; it is acceptable to me, I know.

Mr. RICE. It is acceptable to you?

Mr. O'HARA. Sure, and it is acceptable to the president, too. As a matter of fact, it was a phone in the president's office, John W. Farrell.

Mr. RICE. There is a phone in his office?

Mr. O'HARA. Yes, sir.

Mr. RICE. What telephone was that?

Mr. O'HARA. It worked off the switchboard. I think his number was No. 5, I am not positive of that, but it was a phone used in the president's office, John W. Farrell.

Mr. RICE. Was that a phone used by the come-back men?

Mr. O'HARA. Yes, sir.

Mr. RICE. Do you know which one it was?

Mr. O'HARA. Norman Helwig.

Mr. RICE. Norman Helwig used that phone?

Mr. O'HARA. Yes.

Mr. RICE. Have you seen Norman Helwig use that phone himself?

Mr. O'HARA. I have seen him in there. I was there very rarely. I don't think I have ever been in the president's office more than twice during the meeting.

Mr. RICE. Well, how can you say, then, that Helwig was using the phone?

Mr. O'HARA. Well, I know Norman Helwig.

Mr. RICE. Did he tell you that he was using the phone?

Mr. O'HARA. I know that he was using the phone, because I put him in there.

Mr. RICE. You put him in there?

Mr. O'HARA. Yes, sir.

Mr. RICE. Who is he connected with?

Mr. O'HARA. Carroll-Mooney from St. Louis.

Mr. RICE. Yes, who are they?

Mr. O'HARA. So far as I know, they are commissioners, come-back men, or whatever you want to call them. You name them.

Mr. RICE. Well, I will name them as bookies. Would that definition be all right?

Mr. O'HARA. Any way you name them is all right with me.

Mr. RICE. What is your definition of a commissioner?

Mr. O'HARA. A commissioner is a lay-off man, a person like, for instance, you take an insurance company. You see a lot of this crime investigation. I don't know much about them. I don't know too much about anything, as a matter of fact. But you take, for instance, you have a million-dollar policy that is let to some insurance company. Do they hold it all? No, they place it in other companies. In other words, they are protecting their losses, they break it up.

Mr. RICE. Who are they taking the action from?

Mr. O'HARA. I don't know who they take it from.

Mr. RICE. Well, what policy are you talking about?

Mr. O'HARA. Insurance policies, insurance policies. At Bowie, we have fire insurance and wind and storm insurance.

Mr. RICE. Well, you are not trying to indicate that Carrol-Mooney is in the insurance business?

Mr. O'HARA. No, sir.

Mr. RICE. They are in the gambling business?

Mr. O'HARA. So far as they are, I know. I am telling you about a commission man. The insurance companies are the same thing. They take a certain policy, or a certain premium for insurance, they don't carry the whole policy, they let their policies out, maybe in \$10,000 packages.

Mr. RICE. Well, we have Norman Helwig in the president's office, is that right?

Mr. O'HARA. Yes, sir.

Mr. RICE. Who else do you know as a come-back man?

Mr. O'HARA. This is a fellow named Paul Eckert.

Mr. RICE. Paul Eckert?

Mr. O'HARA. Yes.

Mr. RICE. Is he a come-back man?

Mr. O'HARA. So far as I know, he is.

Mr. RICE. How do you spell that name?

Mr. O'HARA. E-c-k-e-r-t.

Mr. RICE. Who does he represent?

Mr. O'HARA. I don't know. His check was made out, he put up a deposit, and his check was made out to K. & K. I do not know who they are.

Mr. RICE. When you say he put up a deposit, what do you mean?

Mr. O'HARA. Well, he came to the track the first day of the race, and he came to see me, as a matter of fact—he spoke to me before that—but he came to see me. I don't know, maybe he would be carrying \$5,000 or \$10,000 with him——

Mr. RICE. Yes.

Mr. O'HARA (continuing). And he would put that on deposit at the track.

Mr. RICE. Who did you say he was?

Mr. O'HARA. Paul Eckert.

Mr. RICE. And what do you know him to be?

Mr. O'HARA. Just Paul Eckert.

Mr. RICE. What business do you know him to be in?

Mr. O'HARA. I don't know his business. I think he is a come-back man.

Mr. RICE. You think he is a come-back man?

Mr. O'HARA. Yes, sir.

Mr. RICE. He comes to you——

Mr. O'HARA. Yes; he comes to me, and he tells me, "I would like to have a phone."

You see, he would want to put up a deposit because he doesn't want to walk around with \$10,000 or \$15,000 in his pocket.

Mr. RICE. Yes.

Mr. O'HARA. I would give that courtesy to any patron attending the race track.

Mr. RICE. So you accepted that deposit?

Mr. O'HARA. Yes.

Mr. RICE. Where did you put it?

Mr. O'HARA. In the money room.

Mr. RICE. In what account?

Mr. O'HARA. Not in any account, in the money room.

Mr. RICE. Yes.

Mr. O'HARA. He just starts credit in the mutuel department.

Mr. RICE. Who did he make arrangements with in the money room for that?

Mr. O'HARA. Nobody.

Mr. RICE. Who is the manager?

Mr. O'HARA. Thomas J. O'Hara, my brother.

Mr. RICE. Did you make any arrangements with him for it?

Mr. O'HARA. Yes.

Mr. RICE. Did Helwig put up a deposit, too?

Mr. O'HARA. Yes.

Mr. RICE. And Eckert represents Eckert, so far as you know?

Mr. O'HARA. So far as I know, it is Eckert, although the check was made out to K & K, whoever that is, I don't know.

Mr. RICE. Did he tell you who K & K was?

Mr. O'HARA. No, I don't know. I never asked him.

Mr. RICE. When you have a come-back man, it is part of the definition of a come-back man that he represents someone else, isn't that correct?

Mr. O'HARA. Ordinarily speaking. I would have to say this, yes, they are an employee of someone else, generally speaking, I would say so, at least that is my thinking.

Mr. RICE. But you have not bothered to find out who Eckert represented?

Mr. O'HARA. No.

Mr. RICE. Go ahead.

Mr. O'HARA. I don't know any big bookmakers myself personally. I know no bookmakers personally, but I know clerks of theirs and employees of theirs, that is all.

Mr. RICE. At this time let the record indicate that Senator Tobey is present.

The CHAIRMAN. Senator, this is Mr. O'Hara, our witness.

Mr. O'HARA. How do you do?

Mr. RICE. Senator, Mr. O'Hara is general manager out at the Bowie race track.

Mr. O'HARA. Yes; and at Marlboro, too.

Mr. RICE. He has just begun to testify about the arrangements made by the come-back men at the track. He said that they come to him and he makes arrangements for them to get telephones, and they deposit money with the track, and he also testified that Norman Helwig was there representing the Carroll-Mooney organization in St. Louis, and Paul Eckert was there representing the outfit known as the K & K.

Mr. O'HARA. So far as I know, that is right.

Mr. RICE. All right, Mr. O'Hara. Now, we have those two. Who else was there?

Mr. O'HARA. Well, you had this man Remer in here.

Mr. RICE. Where did K. & K. have their room, what phone did they use?

Mr. O'HARA. What we used to call the rumpus room. It used to be the old press box, but this year we decided to do without the entertaining room, and they put the phones in there.

Mr. RICE. Didn't they have a special phone put in there?

Mr. O'HARA. I think there have been some statements on that, but it has been very misleading.

Mr. RICE. What is the story?

Mr. O'HARA. There is nothing but a regular phone. In other words, it has been stated in the paper that there is a direct wire to St. Louis. That is not true.

Mr. RICE. At Bowie?

Mr. O'HARA. At Bowie, that there was a direct wire to St. Louis. That is not true.

Mr. RICE. Wasn't there a phone installed on November 17, 1950, and discontinued on December 5, Bowie 5241, in the rumpus room?

Mr. O'HARA. Not to my knowledge.

The CHAIRMAN. Mr. Rice, do the telephone company records so show?

Mr. RICE. Yes, they do.

The CHAIRMAN. All right.

Mr. O'HARA. Well, if they show it, they show it. But that is not to my knowledge.

Mr. RICE. Well, the record shows that the phone was installed—I can't say that I know it was installed in what they call the rumpus room—but it was installed.

Mr. O'HARA. That is where it would be, if it was there at all.

Mr. RICE. What was the date of the meeting?

Mr. O'HARA. November 18 to December 2.

Mr. RICE. And wasn't there a split season there?

Mr. O'HARA. Yes.

Mr. RICE. What were the other dates?

Mr. O'HARA. Our first half of the season was September 30 to October 14.

Mr. RICE. So that this preceded 1 day before the last meeting started, and it was there 1 day after the meeting was over, this phone?

Senator TOBEY. Do I understand from what you said that this testimony is that these fellows keep a suspension account, or a sum of money which they draw against to cover these things?

Mr. O'HARA. Yes, sir.

Senator TOBEY. How much does that run?

Mr. O'HARA. It depends on how much the play averages. Helwig bet as high as \$23,000 in 1 day.

Senator TOBEY. He probably had more than that on deposit, then?

Mr. O'HARA. Yes; some of that would be winning bets, a fellow like Rømer, I don't think he ever had over \$4,000 or \$5,000.

Senator TOBEY. But this fellow who had the \$23,000, what is his syndicate?

Mr. O'HARA. I think, I am quite sure, but I have never met these people, I don't know Carroll and I don't know Mooney, but I am quite sure that he represents Carroll-Mooney, of St. Louis.

Senator TOBEY. Are Carroll and Mooney tied together?

Mr. O'HARA. So far as I know.

Senator TOBEY. A joint account?

Mr. O'HARA. So far as I know, they are together.

Senator TOBEY. That is all. Thank you.

Mr. RICE. Going back to this phone, do you know Mr. Wallman in the telephone-company office?

Mr. O'HARA. No, sir.

Mr. RICE. Did you ever get in touch with Wallman and arrange for the establishment of a phone there?

Mr. O'HARA. No, sir. I told Mr. Pending, our track superintendent, to arrange for the phone.

Mr. RICE. You told Pending to get in touch with them?

Mr. O'HARA. I do not know who he got in touch with.

Mr. RICE. That was a special line, it was not the regular telephone?

Mr. O'HARA. Yes; it was. They all went through the switchboard.

Mr. RICE. Well, you had Bowie 2171 on your switchboard. Did the other line with the other number go through your switchboard?

Mr. O'HARA. I don't know anything about that.

Mr. RICE. What did you tell Pending to do?

Mr. O'HARA. I told him that they should be placed in the rumpus room, or it should be placed in the rumpus room.

Mr. RICE. You had in mind a hand set?

Mr. O'HARA. That is right. Yes, sir; so far as my knowledge carries me, it went through the exchange board, all phones, all calls.

Mr. RICE. Well, I think——

Mr. O'HARA. There were no special phones, to my knowledge.

Mr. RICE. As a matter of fact, there was this number 5241, which went in there, and also a hand set which was an extension from that. But that is not important.

Mr. O'HARA. I don't know about it. I don't know about it if there was.

Senator TOBEY. You said that the entertainment room was called the rumpus room?

Mr. O'HARA. That is right, you know, we did entertaining there.

Senator TOBEY. Is anything synonymous between rumpus and entertainment?

Mr. O'HARA. I think so.

Senator TOBEY. You mean a good time was had by all?

Mr. O'HARA. Right.

Senator TOBEY. In fact, a regular roughhouse?

Mr. O'HARA. Oh, I wouldn't call it a roughhouse.

Mr. RICE. Was there a bar there?

Mr. O'HARA. Yes, and there was an attendant there, and we entertained special guests. They have it at most tracks, if that is any news to you. They have one out at Laurel.

Mr. RICE. From this rumpus room——

Mr. O'HARA. You can call it an entertainment room. Rumpus might sound a little rough to the Judge here.

Mr. RICE. Can you see the track from the rumpus room?

Mr. O'HARA. Yes.

Mr. RICE. And can you see the tote board?

Mr. O'HARA. Yes; you can.

Mr. RICE. Well, we have Eckert, we have Helwig, and we have Remer. Remer was located in Pending's office.

Mr. O'HARA. In Mr. Pending's office.

Mr. RICE. Were there any other come-back men there?

Mr. O'HARA. Not to my knowledge.

Mr. RICE. Who represented the Kingston outfit?

Mr. O'HARA. Kingston?

Mr. RICE. Yes.

Mr. O'HARA. I don't know anything about Kingston. I never heard of them before. Who is Kingston? Where are they from?

The CHAIRMAN. That is Kingston, N. Y.

Mr. RICE. On November 29, there was a call just before each race through Bowie 2171 to Kingston, N. Y., No. 5629, which is listed to J. Snyder at 43 Lucas Avenue, Kingston, N. Y.

Mr. O'HARA. I don't know him.

Mr. RICE. You don't know anything about that?

Mr. O'HARA. No, sir.

Mr. RICE. I think Remer testified that there was come-back man from Kingston who was operating there.

Mr. O'HARA. There could have been.

The CHAIRMAN. Mr. Rice, so that the record will be clear, does that show that calls to this Kingston number were just like the other calls, after every race, and all during the season?

Mr. RICE. Yes, they were spread before each race, yes, it is our understanding that a man by the name of Monis has an outfit there, in Kingston.

You never heard of that name?

Mr. O'HARA. No.

The CHAIRMAN. Will you spell it, please?

Mr. RICE. M-o-n-i-s, so far as I know.

Mr. O'HARA. Monis, I never heard of him.

The CHAIRMAN. It is Monis.

Mr. RICE. Yes.

The CHAIRMAN. All right.

Mr. RICE. How about Arthur Arnold, did he operate at Bowie?

Mr. O'HARA. I don't know him.

Mr. RICE. How about Frank Erickson's organization? Did he have any come-back men there?

Mr. O'HARA. They have been there years ago.

Mr. RICE. Who was there years ago?

Mr. O'HARA. We had Erickson, Olpenheimer, we had dozens of them years ago. As a matter of fact, up until about 1939 or 1940 we had a phone right in the betting ring.

Mr. RICE. You did?

Mr. O'HARA. Yes.

Mr. RICE. Yes. Well, now, what was the most recent year that Erickson had a come-back man there?

Mr. O'HARA. I am just guessing. I am not very good on dates.

Mr. RICE. Well, give us your best estimate.

Mr. O'HARA. I would say maybe 8 or 10 years ago. I don't know. I am just guessing.

Mr. RICE. How about Dobkin?

Mr. O'HARA. I remember Dobkin. I remember the name. He has been in there.

Mr. RICE. How recently?

Mr. O'HARA. I don't know.

Mr. RICE. Who is Dobkin?

Mr. O'HARA. I don't know.

Mr. RICE. Isn't he from Chicago?

Mr. O'HARA. I think so, either Chicago or Omaha, I am not sure.

Mr. RICE. You say you think he is either from Chicago or Omaha?

Mr. O'HARA. Yes.

Mr. RICE. Do you know who his come-back men were?

Mr. O'HARA. No.

Mr. RICE. Weren't they there the last meeting?

Mr. O'HARA. No, not to my knowledge, no. I do know that name, that they weren't there.

Mr. RICE. Now, Helwig was using the president's office; is that right?

Mr. O'HARA. That is right.

Mr. RICE. Is it possible that he had a direct line in there that did not go through the switchboard?

Mr. O'HARA. No, sir; it went through the switchboard.

Mr. RICE. It went through the switchboard?

Mr. O'HARA. Absolutely. He is working today right out of Santa Anita Park in California.

Mr. RICE. That is the office right next to the dining room?

Mr. O'HARA. That is right. Santa Anita is the L. A. track.

Mr. RICE. Now, then, when these people arrived at the track at the beginning of the meeting, it is my understanding now that they would make a deposit with you or——

Mr. O'HARA. Yes, they would make deposits, maybe two deposits or three deposits. Will you excuse me a minute, please, until I get my records?

Mr. RICE. Yes, sure.

Mr. O'HARA. I have a record here of the recap of the business we did at Bowie at the fall meeting, and the only three I have registered here, and the amounts of money they wagered through the machines is: Eckert, \$36,500.

Mr. RICE. Will you fix the date of that?

Mr. O'HARA. This is the whole meeting, sir. Each day I would not know.

Mr. RICE. For the last half of this fall?

Mr. O'HARA. Yes; this is the fall meeting.

Mr. RICE. This is the fall meeting?

Mr. O'HARA. The last half.

Mr. RICE. To what are you referring, Mr. O'Hara?

Mr. O'HARA. I am referring to the amount of money wagered through the mutuel machines by the come-back men.

Mr. RICE. Who prepared the statement?

Mr. O'HARA. This was prepared by the money-room man.

Mr. RICE. By whom?

Mr. O'HARA. By the money-room man.

The CHAIRMAN. Is that from November 18 to December 2?

Mr. O'HARA. That is right.

Mr. RICE. All right.

Mr. O'HARA. The amount of money wagered by Eckert was \$36,500.

The amount of money wagered by Helwig was \$143,690.

Remer bet \$61,485.

That was a total of \$241,675.

The CHAIRMAN. How much was Remer?

Mr. RICE. \$61,485.

Mr. O'HARA. That is correct.

Senator TOBEY. What is a good day's take?

Mr. RICE. What is the total?

Mr. O'HARA. \$241,675. In other words, we handled through the come-back phone at both meetings, roughly speaking, a half million dollars. We are just one of the small tracks to handle come-back money in the State of Maryland. For what reason I cannot explain, but Pimlico, Laurel, and Havre de Grace, handle much more than we do. I would say roughly there is bet more than \$2,000,000, there is more than \$2,000,000 money handled over the phone that the State does not receive, they should receive 4 percent, and the stockholders 6 percent.

Senator TOBEY. You have become a vested interest, haven't you, or racing has?

Mr. O'HARA. Definitely so. I am an employee. I am not a stockholder. I own two shares of stock to qualify me as a director, that is all. I am just an employee trying to do the best I know how for the stockholders and the State of Maryland.

Senator TOBEY. How widespread is the distribution of capital stock of Bowie?

Mr. O'HARA. It is very closely held, sir. I guess there is probably, let me see, there is at least 75 percent held by three people, and the other 25 percent is spread rather thinly.

We don't have 50 stockholders. Some hold 2, some hold 4, some hold 10, some hold 400, and some hold 500; but the control is held among three people, the Farrells, the O'Haras, of which I unfortunately don't happen to be one, and the Pierces.

Mr. RICE. Who are the top three?

Mr. O'HARA. The Farrells, the O'Haras, and the Pierces. The Conroys are small. They are in the voting trust.

Mr. RICE. Now, sir, you mentioned about other tracks. Are there any other tracks that you know of that accept come-back money in the mutual department?

Mr. O'HARA. Yes; all of them.

Mr. RICE. All of them?

Mr. O'HARA. Every one of the major tracks in the United States accept come-back money.

Mr. RICE. I am talking about those that will permit the come-back men to make a deposit.

Mr. O'HARA. Well, they do it in different manners. They have done it all along until a year or so ago; for some unknown reason—I mean,

I have done things up and aboveboard, but the rest have not—I was brought in to the commission here, maybe a month ago, to make a statement. I made a statement truthfully, and the rest of them lied, in my opinion.

They all do the same thing. In Laurel, for instance, they work out of the veterans' office, which is a half minute's ride to the race track. There is a policeman there who——

Mr. RICE. What did you say about the veterans?

Mr. O'HARA. Yes.

Mr. RICE. What do you mean by the "veterans"?

Mr. O'HARA. Well, the Veterans of Foreign Wars, they have a——

Mr. RICE. Is it a tavern?

Mr. O'HARA. Well, a tavern or a clubroom, whatever you call it, you know what I mean.

Mr. RICE. Yes.

Mr. O'HARA. They have one along within a half minute's ride of the Laurel race track. There is a space held for Norman Helwig and other come-back men that is policed by a policeman to see that he gets into the spot without any delay.

Senator TOBEY. You mean with his car to park?

Mr. O'HARA. Yes, sir. The space is held open for him, so that he can get in and out speedily.

Bowie is out in the country, as you all well realize. We don't have the accommodations or facilities that the other tracks have.

At Havre de Grace they work out of a gas station on the road; the same thing, the same operation at Pimlico, where at Pimlico they work out of Love's drug store across the street.

They all have their space reserved for them. They have it reserved so that they can drive in readily and be waited on. They have paid a policeman to guard the spot, to see that the man has a place to park and no one else takes his place.

The CHAIRMAN. Who pays the policeman?

Mr. O'HARA. The track.

The CHAIRMAN. The track does?

Mr. O'HARA. Certainly.

Mr. RICE. You say they have a policeman?

Mr. O'HARA. Yes.

Mr. RICE. Is he a county or a State policeman?

Mr. O'HARA. No, one of their own police.

Mr. RICE. A private policeman?

Mr. O'HARA. That is right.

Mr. RICE. How about Garden State Park?

Mr. O'HARA. They have it, too.

Mr. RICE. How did they arrange it there?

Mr. O'HARA. Well, I don't know too much about Garden State. I have not been there last year. They do have it. I think Mr. Remer stated that he worked out of there.

They work out of Atlantic City, Arlington Park, Washington Park, any place you want to mention.

Mr. RICE. Do you know of any major track which is a member of the Thoroughbred Racing Protective Bureau, or not, which permits the use of phones inside the track enclosure?

Mr. O'HARA. I could make a statement——

Mr. RICE. All right.

Mr. O'HARA (continuing). Although I cannot prove it. That is the tough part about everything. I cannot prove a statement I make.

I have been told by these men; as a matter of fact, there are two men, and I can mention their names if you wish me to.

Mr. RICE. Go ahead.

Mr. O'HARA. Well, Paul Eckert is one, and Harry Selzer is another, who have told me that they use a phone out of Pimlico to call in bets, right in the clubhouse.

Mr. RICE. They use the phone in the clubhouse?

Mr. O'HARA. The track phone, with the O. K. of the Pimlico people.

I have been told that they have a phone at Atlantic City, and at Arlington Park, and Washington Park in Chicago.

I have been told by these men themselves that that is so. I cannot prove it, however, sir.

The CHAIRMAN. Well, I think in fairness to you we should tell you that the ones who have testified before us have said that Bowie was the only place where they actually had phones inside, as I remember.

Mr. O'HARA. Were they under oath when they made the statements?

The CHAIRMAN. Yes.

Mr. RICE. Yes.

The CHAIRMAN. Of course, we did not have some of these people. We did not have Selzer before us.

Mr. O'HARA. Well, I would like to see some of them here. I would like to be brought in with a joint committee.

The CHAIRMAN. The only one that we had at Bowie was Remer, and that is what he said.

Mr. O'HARA. Well, Remer is a newcomer, actually, quite a newcomer.

The CHAIRMAN. He has not been in the game very long?

Mr. O'HARA. Not too long, just a couple of years.

The CHAIRMAN. How about Marlboro; how do you operate there?

Mr. O'HARA. Well, none of the half-mile tracks, with the possible exception of Sportsman's Park, in Chicago, which is a half-mile track, but none of the half-mile tracks in Maryland have them. The business is not sufficient to warrant come-back men coming there, so no half-mile tracks have come-back phones in them.

Senator TOBEY. Did you ever see Remer's boss?

Mr. O'HARA. No.

Senator TOBEY. Well, you know who he is?

Mr. O'HARA. Do you mean Rosenbaum?

Senator TOBEY. Louis Rosenbaum.

Mr. O'HARA. I would not know him.

Senator TOBEY. He is quite a Rosenbaum. You ought to see him.

Mr. O'HARA. Maybe I should not, either. I mean, that is what gets me a little bit upset. Why does the Commission call us in, they call in Bowie to make a statement, and they give us a bad time, and they give me a bad time. Then they call the other three tracks in, which are closely affiliated, Havre de Grace, Laurel, and Pimlico, which are now one, you might say, and they called them in as a group and gave them clean bill of health. Why? Why is the commission so naive as to believe that; why shouldn't they question everybody? Why didn't they question the half-mile tracks to see if they had come-back men or not? You asked the question. I am glad you asked it.

The CHAIRMAN. Who is this commission you are talking about?

Mr. O'HARA. The Maryland Racing Commission.

The CHAIRMAN. Well, that is not exactly a congressional matter, so I would not know why they did it.

Mr. O'HARA. Well, you ask me questions, and I can ask you one, then, can't I?

The CHAIRMAN. Well, there is no harm.

Senator TOBEY. We are just neophytes in the business, but as we go along day by day, the question that has bothered me, and I have no real answer yet, I am not referring to your track, but in some of these tracks they have a telephone, and in one of these Rosenbaum's outfit had five telephones registered under a hospital company, but they were gambling telephones.

The question is, how the gambling fraternity utilize a telephone to get prompt treatment, when in all civilian service, even in the Senator's office, it is very difficult to get a toll call through.

Mr. O'HARA. Well, if I knew the answer to that, I would be in the bookmaking business myself.

Senator TOBEY. How do you think they can get prompt attention and get through in a hurry, almost like a direct line? Do you have any opinion on that at all?

Mr. O'HARA. No. You have read the papers, I know.

Senator TOBEY. Yes.

Mr. O'HARA. And you see in Florida that the racing commission barred the newsmen from sending out information until 20 or 22 minutes after the races were finished, or the race was finished.

Senator TOBEY. That was just recently.

Mr. O'HARA. Recently, yes. They insulted all the racing writers, so the racing writers said, but the fact is that they have not cut it out. I brought this up a few years ago, and I said, "How about putting a wire in? We can get \$200 a day, \$5,000 a year, and we need the money." Farrell says, "We don't like it." I says, "If you can cut it out, cut it out." I don't know how you can cut it out. You show me. It has been going on for 35 or 40 years, and Eckert told me himself that he spends more than that doing it in a sneaky manner, and that he would rather be on the legit and pay the association \$200 a day for a good legitimate reason.

Now, that is a recognized racing paper. That is no fly-by-night thing. It is no tip sheet. It is a recognized newspaper. So he is paying that much to newsmen or somebody else, telegraphers, and so on, to get the same information, which they are still doing in Florida today with all of these rulings.

The CHAIRMAN. Well, following up Senator Tobey's question, do you think there is some special arrangement with the telephone company so that they get quick service on their calls?

Mr. O'HARA. Well, I am not going to start guessing. I don't know. I am not going to make any statements about anything that I don't know.

The CHAIRMAN. They have got to get through immediately, evidently.

Mr. O'HARA. I know the racing business good. As to telegraphs and telephones, I don't know.

The CHAIRMAN. But they have to get through immediately or it is no good?

Mr. O'HARA. No; they don't have to get through immediately. They can have a 10-minute or 12-minute delay. Do you go to the races, yourself, sir?

The CHAIRMAN. I have been out there, yes.

Mr. O'HARA. Well, have you ever left any race track—I have done this often, not when we were racing at our own meeting, of course, I don't do it there, because I am in the office, and I stay around, but in the off-season at another track, I invariably go out to the track and I will bet on maybe the last race, and I will then get in my car to avoid the traffic and leave the traffic.

Then I turn on my radio in the car, and within 5 minutes I have the results and pay-offs and everything else.

Now, how does that get out? You tell me.

The CHAIRMAN. Well, from your track the newsman can put it right out.

Mr. O'HARA. At all tracks, it comes out, half-milers and otherwise, you can go to any track and find that.

Senator TOBEY. Well, if you have been lucky and won, do you turn around and collect your money?

Mr. O'HARA. No, sir. I get it the next day.

The CHAIRMAN. Don't they have a ticker service?

Mr. O'HARA. They have a teletype in the press box, and they had the Western Union in there. They can wig-wag it. They have been caught doing that. You cannot prevent it.

I think that Florida has given you the best answer. This fellow in Florida, McBride, was it? He said if you wanted to do away with gambling or bookmakers, to do away with race tracks. He gave you the best answer you could possibly get.

The CHAIRMAN. That is Mickey McBride from Cleveland, isn't it?

Mr. O'HARA. That is correct.

Mr. RICE. Now, sir, you mentioned that at the beginning of a meeting these various come-back men would come and make deposits, and I believe I asked you what form they would take, or rather, I don't believe I asked you that. Are they checks or cash?

Mr. O'HARA. Cash or certified checks.

Mr. RICE. Cash or certified checks?

Mr. O'HARA. Or it could be a Western Union money order.

Mr. RICE. That is then put into the mutual department?

Mr. O'HARA. That is right.

Mr. RICE. Is that kept in a separate account?

Mr. O'HARA. No; it is thrown right in with that money there.

Mr. RICE. It is put into the common fund?

Mr. O'HARA. Yes. We have a change account. At the first meeting we used \$400,000 in the change account, or bankroll, and at the second meeting we cut it down to \$300,000.

Mr. RICE. And from day to day you keep a record of the number of bets they place?

Mr. O'HARA. Yes, and whether they won or lost; that is right.

Mr. RICE. Now, suppose there comes a time when their funds are exhausted and need to be replenished. Then what happens?

Mr. O'HARA. Well, they can't bet any more until they get some more money down. There is no credit.

Mr. RICE. Who notifies them?

Mr. O'HARA. The money man tells them. They know if they are down that they cannot bet.

You know, you cannot walk into a bank and draw out a thousand dollars when you only have \$10 on deposit.

Mr. RICE. At the end of the meeting how do you settle it?

Mr. O'HARA. Well, if they want cash they can have that, and if they want a check they can have a check.

Mr. RICE. If they want a check, whose checks are given?

Mr. O'HARA. They are drawn on the special account, it is a special account check, to facilitate matters.

Mr. RICE. It is a special account check? You do have a special account?

Mr. O'HARA. Yes, sir. We have four different bank accounts.

Mr. RICE. Yes?

Mr. O'HARA. We have the general fund, we have the PM account, or else standing accounts, the special account, and the horsemen's account.

Mr. RICE. How does the money get into the special account, to be drawn out?

Mr. O'HARA. Well, for instance, say at the end of a meeting I have \$20,000 coming, and I go to the mutual window and I want \$20,000, I can have a check made out for \$20,000.

Mr. RICE. You can draw the check to anybody in the world; can't you?

Mr. O'HARA. Yes. He doesn't care who it is drawn to.

Mr. RICE. It could be to Bugsy Siegel or anybody?

Mr. O'HARA. That is right, or Joe Murphy.

Senator TOBEY. Bugsy couldn't cash it, however?

Mr. O'HARA. Not today.

Mr. RICE. Now, then, if you have to draw a check you will then make a deposit from your money room?

Mr. O'HARA. You see, it is a wash account; say you draw a check for \$20,000, you make a deposit for \$20,000, and at the end of the meeting that account is washed out.

Mr. RICE. It is merely a vehicle to take care of that?

Mr. O'HARA. That is right, just to expedite it.

Mr. RICE. All right. Somewhere along the line I have heard about commissions being paid to come-back men, or for come-back money. What is that?

Mr. O'HARA. Well, so far as I know, the only person I could state—and I don't know if he is still living or dead up in Canada—but his name was Bennie Greenberg, and the tracks used to pay him 1½ percent to get his business.

Mr. RICE. Yes?

Mr. O'HARA. So far as I know, there has never been any money paid to anybody on the association for this business. In other words, it was in the reverse, the association used to pay the come-back men for his business, 1, 1½ percent, and as high as 2 percent.

Mr. RICE. They do not do that any more at Bowie or any other track you are connected with, do they?

Mr. O'HARA. No.

Mr. RICE. You mentioned about the procedure of depositing money by these come-back men and settling up at the end of the season, or at any time there was any settling to be done?

Mr. O'HARA. Yes, sir.

Mr. RICE. Do you know of any other major track that does that for the benefit of the come-back men?

Mr. O'HARA. Well, I think they all do. There are so many things I know that I cannot prove.

Mr. RICE. Yes?

Mr. O'HARA. At Laurel, I know for a fact that they have this same special account. The special account actually was set up for outstanding tickets. For instance, you go to the track today, and you happen to have a winning ticket, and you don't remain to cash that ticket, you want to go home with a friend, or for some reason or other you left the track——

Mr. RICE. I understand.

Mr. O'HARA (continuing). Then you just send the ticket in, we cash the ticket with the cashier through the mutuels, we get the cash deposited in the special fund and draw a check against the special fund. That is what it was primarily set up for. We use it for other purposes also. For instance, say a clerk worked all week and the last day he does not appear. He cannot sign the pay roll and he has got \$40, \$50, or \$60 coming, so we draw him a check, which is receipt enough.

It is used for a lot of purposes.

Mr. RICE. We have a statement that Bowie is the only track where facilities of the mutual department are permitted to be used by the come-back men. Do you dispute that?

Mr. O'HARA. Yes; I will. You are going to force me to make statements that I cannot prove, however.

Mr. RICE. What other tracks?

Mr. O'HARA. I know that at Pimlico, Laurel, and Habana——

The CHAIRMAN. Well, suppose you just limit your statements to what you know about it of your own knowledge, sir.

Mr. O'HARA. I know this, that the come-back men for the last few years, instead of giving the money to the money room or the mutual department, have give the money to one of the clerks. I can name a few of the clerks, if you wish.

The CHAIRMAN. That is a private arrangement that they make, you think?

Mr. O'HARA. With the clerk, so the clerk holds the \$20,000 in his pocket, and a man come in and makes a bet, and instead of the customer or the patron walking around with that \$20,000 in his pocket, it is in safekeeping.

So he bets \$1,000 or \$500, or \$2,000, so the clerk takes the money out of his pocket and sells the ticket to him, and at the end of the day he takes the money that is left, gives it to the money room man, he sticks it in the trunk, and it goes down by Brinks to the bank.

Mr. RICE. Do you know of any tracks which don't—well, let's put it around the other way—you say that you know of a track that does. Now, do you know of a track that would not permit the mutual department to be used in that way?

Mr. O'HARA. No; I don't. You see, I have not been in the mutuels for 5 years. I worked 25 years in mutuels, and I have been on the race track 30 years.

Mr. RICE. These tracks you are speaking about where they use the clerk, is it fair to assume that where they use a clerk that the management does not permit the cooperation of the track?

MR. O'HARA. Well, I think for a positive fact that the mutuel manager has to know about it.

MR. RICE. He has to know about it?

MR. O'HARA. I would think so. At least, the mutuel manager, and in order to arrange these parking spaces, the general manager or treasurer, or whoever is connected with it, has to know about it.

MR. RICE. Do you know what the TRPB code says about that?

MR. O'HARA. They do not permit them to handle come-back money, but I know three, and that I can't prove again, that do.

MR. RICE. Why is it that they don't permit that?

MR. O'HARA. Well, I don't know. Mr. Spencer Drayton is the biggest paid policeman in the world. I think he gets \$60,000 a year. I would like to have his job.

MR. RICE. For what reason?

MR. O'HARA. What does he do? We had him in at Bowie, and our first assessment at Bowie was \$15,000, and the second year we get a letter that our assessment will be \$22,500 at Bowie, and \$7,500 at Marlboro. We said, "To hell with it, what are you doing for us."

I said to the heads. "What are you doing with that guy?" They said, "None of your business, we want to keep racing clean."

MR. RICE. Could it be that those tracks that do not do it, do not condone off-track betting, would that be one reason?

MR. O'HARA. I don't know whether they condone it or not. I think it is foolish, but I am only speaking for myself.

MR. RICE. Do you think off-track betting is foolish?

MR. O'HARA. Well, it will happen whether you like it or not. We have brought into Maryland, and I will bet on this, this last year there was at least \$2,000,000 or \$2,500,000 bet in the State of Maryland that the Government would not have received any revenue from if we did not have an arrangement for the come-back men. The money came in from Chicago, it came in from all over the country, it is out-of-State money, and the State gets 4 percent on it, and the track gets 6 percent.

MR. RICE. Then you feel these should be an encouragement of the out-of-State money?

MR. O'HARA. Well, it is good for the State and it is good for the track.

MR. RICE. It is good for the track?

MR. O'HARA. Yes.

MR. RICE. Well, suppose I point out to you that at Garden State in the fall meeting, which ran during the time when a special Federal grand jury was investigating conditions in Philadelphia, and the staff of the Senate Crime Committee was there, and also at Tropical Park the last meeting, immediately following a number of investigations, when betting in both Philadelphia and in Florida and in areas surrounding the track was at probably the lowest ebb in many years, the handle, the total handle at both tracks was increased considerably over any other meeting they ever had.

MR. O'HARA. What year was that, this present time?

MR. RICE. In the fall of 1950, at both Tropical and Garden State.

MR. O'HARA. Well, for one reason they had the cooperation of the city government there, or the city municipalities there to close up bookmakers, which is all right.

MR. RICE. Yes.

Mr. O'HARA. It is good. I would like to see it here. But we don't have that cooperation here. All you see Mr. Emerson do in Baltimore is arrest some poor guy on Pennsylvania Avenue for taking a \$3 or \$4 bet, when I can take you places downtown where they have 300 or 400 people every day, and it is known by everybody.

Mr. RICE. It is fair to say that if the law enforcement was on its toes in the immediate area of the tracks, that the handle would be up, is it not?

Mr. O'HARA. Absolutely.

Mr. RICE. Well, wouldn't that be just as good an answer to the come-back situation as any?

Mr. O'HARA. No; that money comes from far away.

Mr. RICE. That money comes from far away?

Mr. O'HARA. Sure. Then again you take into consideration the increase in Florida today, you must take into consideration also nine races in place of eight. Give that a little thought.

Mr. RICE. How do you account for your statement that the money comes from far away like Louis Rosenbaum in Cincinnati. Do you know where his money comes from?

Mr. O'HARA. No; but I wouldn't think it came from Baltimore.

Mr. RICE. It is possible, though, isn't it?

Mr. O'HARA. It is possible.

Mr. RICE. As a matter of fact, he testified that he was in touch with some people in this area, that he was taking lay-off money.

Mr. O'HARA. That is possible.

Mr. RICE. This is local money.

Mr. O'HARA. Well, there could be some local money, but the majority of it would be out-of-State money, in my opinion.

The CHAIRMAN. Let's go on.

Mr. RICE. Now, I show you a check dated December 2, 1950, of the Maryland Agricultural Association. Is that the track account?

Mr. O'HARA. That is right, that is closing day.

Mr. RICE. Special account, over the signature of, it looks like T. F. O'Hara.

Mr. O'HARA. That is T. J. O'Hara.

Mr. RICE. That is your brother, manager of the mutual department?

Mr. O'HARA. That is right.

Mr. RICE. On the Union Trust Co., of Maryland, drawn to John Mooney.

Mr. O'HARA. That is right.

Mr. RICE. In the amount of \$20,105. This check was deposited at the First National Bank in East St. Louis, Ill., to the John Mooney—John Mooney special account.

Mr. O'HARA. That is right.

Mr. RICE. I will ask you if you know what that is.

Mr. O'HARA. I know all about this. I think I have already explained it. This is the amount of money he had left on deposit, and when the meeting was over, instead of taking cash, he asked for a check.

Mr. RICE. Who is he?

Mr. O'HARA. He?

Mr. RICE. Yes.

Mr. O'HARA. Norman Helwig is his name, that is who this is too.

Mr. RICE. And Helwig told you to draw the check?

Mr. O'HARA. He told my brother Tom.

Mr. RICE. To draw the check to John Mooney, the St. Louis gambler?

Mr. O'HARA. That is right. He would draw it to you, if he was told to.

Mr. RICE. Now I show you this one, Helwig, December 2, 1950, for \$20,105, and it has the name of Helwig on it, and then down at the bottom that looks like Kohlky.

Mr. O'HARA. That is Kohlky, that is a nephew of mine. He runs the money room.

Mr. RICE. He runs the money room?

Mr. O'HARA. He is head cashier. That is a receipt, I suppose.

Mr. RICE. What is that?

Mr. O'HARA. That is a receipt. He gave this receipt. In other words, he checked the balance with Norman Helwig, and it shows up there balances were in agreement.

Mr. RICE. Yes.

Mr. O'HARA. He would send the slip to my brother, who has the authority to draw the check.

The CHAIRMAN. The check will be exhibit No. 14, and the receipt will be exhibit No. 15.

(The documents referred to above were marked for identification as "Exhibit No. 14" and "Exhibit No. 15," and are on file with the committee.)

Mr. RICE. That is the original record in the books from which the check is drawn?

Mr. O'HARA. That is right.

Mr. RICE. Now, then, I show you a check dated November 27, 1948, on the same account, to E. M. Dobkin for \$19,220.

Mr. O'HARA. That is the same deal.

Mr. RICE. That was deposited in the First National Bank of Chicago, Edward M. Dobkin, special account. I ask you what that is.

Mr. O'HARA. Now that is the same thing.

Mr. RICE. Settling up at the end of the meeting?

Mr. O'HARA. That is right.

The CHAIRMAN. That check will be marked as "Exhibit No. 16."

(The document referred to above was marked for identification as "Exhibit No. 16," and is on file with the committee.)

Mr. RICE. Do you know who represented Dobkin in that connection?

Mr. O'HARA. No; I am sorry. I cannot tell you who recommended Dobkin. I really don't know.

Mr. RICE. Now, sir, here is a check dated October 14, 1950, drawn to Helwig in the round amount of \$10,000, and it is endorsed by N. Helwig, and it looks—

Mr. O'HARA. That would be the same thing.

Mr. RICE. Well, you would not settle up in a round amount, would you?

Mr. O'HARA. No; but for instance, maybe he won a bet, so they didn't want to keep maybe over \$20,000 on deposit, they didn't think they would need more than \$20,000—I don't know what the figure would be—but, for instance, if he wanted to keep a bank roll or work-

ing amount of \$20,000, suppose he won a bet of \$10,000, so then he requested the money room or the mutual department to give him a check for the \$10,000.

Mr. RICE. Well, we apparently are under some misapprehension about winning bets. Everyone testifying here testifies that at each and every meeting they attended that it was a losing meeting.

Mr. O'HARA. Generally speaking, that is true. I have run money rooms myself, and I kept these accounts myself for years, but, generally speaking, that is true. However, there is a time when they may win a bet. He might have, during the course of this meeting, gone overboard, and he had too much on deposit, as he thought, and he might have requested a check for \$10,000 which he received.

It is quite likely that after that he would maybe come back with \$15,000 or \$20,000, and put it back in again.

Mr. RICE. Have you ever known any of them to have a winning meeting?

Mr. O'HARA. Yes.

Mr. RICE. When was that?

Mr. O'HARA. I don't know. I cannot tell you the date.

Mr. RICE. It is hard to remember that?

Mr. O'HARA. They don't have too many.

Mr. RICE. Well, they say they have none.

Mr. O'HARA. Oh, yes; they have the odd meeting; yes, they have.

Whoever was talking the other day, Remer, I think, made a statement that they only bet on long shots. That is not true.

Mr. RICE. All right, sir. Now, then, I have something here made out to Kagen, in the amount of \$1,500 on October 10, 1950. That is made out on that account, and it is marked "Cash" and endorsed by Bernard Kagen, for deposit Old Town Furniture Co.

Mr. O'HARA. Well, he might have won a big bet and wanted a check instead of cash.

Mr. RICE. You think he is a bettor?

Mr. O'HARA. I think so.

Mr. RICE. And not a come-back man?

Mr. O'HARA. Not to my knowledge. I cannot identify this man.

Mr. RICE. Suppose I hand you this sheaf of checks here, and you run through them.

Mr. O'HARA. I will see if I can recognize any names.

Mr. RICE. Tell us briefly who the man is and what the check is for.

Mr. O'HARA. Well, here is one for \$800.

Mr. RICE. What was that, sir?

Mr. O'HARA. Here is one to an auto-service company in the amount of \$1,406.50.

Mr. RICE. But what was the check for \$800?

Mr. O'HARA. I don't know.

The CHAIRMAN. All right. Suppose while you are going through those and thinking about who they are that we take a 5-minute recess, and you stay here and look them over.

(Brief intermission.)

The CHAIRMAN. All right, please come to order.

Mr. RICE. Have you anything to tell us on those?

Mr. O'HARA. Well, there is not too many I know here, sir. You first have to understand that this is not my department. I supervise it, but I am not in there all the time, so a lot of these things that

would be drawn I would not have to be consulted about, because it is a wash account. Now, this one here on this \$800 I don't know anything about that.

The CHAIRMAN. Suppose you tell us about the ones you know to be come-back money.

Mr. O'HARA. Then there is this auto service, I don't know what it is, \$1,406.50.

Mr. RICE. That is Tom's Auto Service.

Mr. O'HARA. Oh, Tom's Auto Service? I know what that is. I asked for the check myself. I bought a car last year in Washington at Tom's Auto Service, and I gave the money room this much cash, and they gave me a check, and I gave it to the salesman. I had a check drawn to him. That was my own deal.

Now, Helwig, so far as I know, works for Carroll & Mooney, \$16,000.

Western Union, I don't know; I think this would be a come-back man. I think it was a come-back man who, like I said in the case of the \$10,000 deal, had a little too much on deposit and needed cash and asked the money room to give him \$2,500 off his account, which they made payable to the Western Union.

Mr. RICE. Which he cashed when he got to the Western Union office in some other city?

Mr. O'HARA. Yes.

Then this one for Helwig, \$10,150, the same thing.

Then a receipt for \$4,850 to Eckert by the head cashier, which would be certified to the amount on balance to warrant the issuing of this check.

Mr. RICE. Is Eckert known to you as Coney Island Whitey?

Mr. O'HARA. Yes, sir.

Mr. RICE. Why did they call him that?

Mr. O'HARA. I don't know. He has had the name for a long time. I have known him less than a year, only 6 or 8 months at most, but he has that name.

As a matter of fact, I know Mr. Paul Eckert, and in talking with Dick Pending at the track, the track superintendent, he says, "What is Whitey doing around here?" I said, "Who in the hell is Whitey?" He says, "Paul Eckert." That is the first time that I knew he was called Coney Island Whitey.

The CHAIRMAN. Let's go on.

Mr. O'HARA. Now, here is one to the Western Union for \$3,000. It has got a notation on there, "Carl Berman."

Mr. RICE. Well, is the runner for Dick Remer of the Rosenbaum outfit.

Mr. O'HARA. That could be the same thing. These are all the same things.

Mr. RICE. Yes?

Mr. O'HARA. They are just repetitious. Harvey Strauss. I don't know, \$17,000.

Mr. RICE. How much?

Mr. O'HARA. \$17,000.

Mr. RICE. But you don't know Harvey Strauss?

Mr. O'HARA. No, sir, I do not.

Mr. RICE. Wasn't there a Strauss connected with the Tote Co.?

Mr. O'HARA. Yes, there was, but that was Henry Strauss.

Mr. RICE. He was no relation to Harvey Strauss?

Mr. O'HARA. Not to my knowledge.

Mr. RICE. He and Dobkin, I think, had a book?

Mr. O'HARA. Personally I don't know.

Now here is one for Paul Eckert, \$9,020. I know Paul Eckert. That was his balance on October 14; that was the closing date of the first meeting.

The CHAIRMAN. All right; let's get on.

Mr. O'HARA. Then there is one here for \$34,215. This is back in 1948, at the end of the meeting, November 27, and that was the balance that was due him.

Paul Eckert again for \$5,000 on October 9. That was during the progress of the meeting.

Then there is one for \$1,740, to Liebauer, R. S. I don't know him. He could be a person or a patron who possibly won that kind of money and wanted a check for it.

H. Norman, I don't know. I don't know whether you know it or not, but they have been known to use different names.

Mr. RICE. Who, the come-back men?

Mr. O'HARA. Yes.

Mr. RICE. I notice H. Norman, and Norman Helwig. Look at the endorsement on the back.

Mr. O'HARA. H. Norman, it could be Norman Helwig. It is endorsed by him, so evidently it might be. He took the check from Bowie and went to Charles Town and did the same thing. H. Norman, I do not know.

Then there is another one from Liebauer for \$1,750.

Lou Rosenbaum, \$18,325. I guess he is that person that you had in here before this committee.

Mr. RICE. Yes.

Mr. O'HARA. Lou Rosenbaum, Advertising News Agency, it is endorsed.

The CHAIRMAN. Advertising News Agency?

Mr. O'HARA. That is the way it is endorsed.

Mr. RICE. While we are on that check, that is drawn to Lou Rosenbaum, the Lou Rosenbaum Advertising Agency, Senator, I have talked with Rosenbaum since he testified, and he said that was one of the cover names that was used by his outfit in Cincinnati, similar to that Northern Kentucky Hospitalization Insurance Agency, but at the time the check was drawn they were using the name of Advertising News Agency.

The CHAIRMAN. Lou Rosenbaum Advertising News Agency?

Mr. RICE. Yes.

Mr. O'HARA. Herbert C. Kenny. I don't know; \$970.

Bill Jones, \$5,000. I don't know him. Chicago.

Here is one with a notation by my good friend Mr. Pierce, "Give bearer cash, \$11,780."

The CHAIRMAN. All right. Let the checks be made a part of the record, but, Mr. Rice, only the ones that prove the point to show this come-back situation.

Mr. RICE. There is one to Dobkin there, some place. There is a Dobkin check there.

Mr. O'HARA. You talk about remuneration for these checks. Mr. John W. Farrell, our president, was given two cases of whisky last

fall. One case I received about 3 weeks after it was given to him. I will never forget it because it was the lousiest Scotch I ever drank.

The CHAIRMAN. Well, there seems to be some personal grievance between you and Mr. Farrell.

Mr. O'HARA. Definitely.

The CHAIRMAN. And I want you to say what you want to in explanation of anything. I do not know Mr. Farrell and I am not protecting Mr. Farrell.

Mr. O'HARA. Well, you asked me a question earlier in the hearing.

The CHAIRMAN. Mr. Farrell is not here.

Mr. O'HARA. You asked me a question earlier in the hearing, was there any remuneration for these things, and I said "No."

We have received, like we receive for instance——

The CHAIRMAN. I suppose you receive various presents?

Mr. O'HARA. That is correct.

The CHAIRMAN. You have and he has too?

Mr. O'HARA. Yes, sir; but no cash.

As a matter of fact, I have got a little clip in my pocket which I would like to show you. I received that from Norman Helwig. Do you want to pass it on to the gentlemen? I think it came from Mooney. I still don't know Mooney no more than you could be Mr. Mooney, as far as I am concerned.

The CHAIRMAN. The witness is exhibiting a horseshoe money clip with six diamonds in it. They don't seem to be very large. Yes, six diamonds or seven diamonds. Have you had this valued, sir?

Mr. O'HARA. No, sir.

The CHAIRMAN. It seems to be——

Mr. O'HARA. That shows how much he knows me. My name is Lawrence Edmund, and you will see that it is made out to Edward J. O'Hara, so that is how much Mooney knows me.

The CHAIRMAN. Well, it seems to be a gold—what is it, 15 or 10 carat?

Mr. O'HARA. It is a pretty nice-looking clip.

The CHAIRMAN. It is a nice clip. Do you get something like that every season?

Mr. O'HARA. No.

Senator TOBEX. Do you have one of these for each of us?

Mr. O'HARA. No, sir; not today. I will get you one, maybe. I will speak to Mr. Mooney.

The CHAIRMAN. All right; let's go on.

Mr. RICE. Now, sir, you mentioned that Paul Eckert was known as Coney Island Whitey, and that Eckert did business as K. & K. Service.

Mr. O'HARA. I didn't know that until Mr. Pierce brought that out at the hearing with the racing commission. That is the first I knew the check was drawn in K. & K.'s name.

Mr. RICE. All right. Somewhere along the line he asked for a check in the name of K. & K.; is that the idea?

Mr. O'HARA. Evidently.

Mr. RICE. I have here a check dated October 9, 1950, to Paul Eckert in the amount of \$5,000 on the special account, which bears on the back Eckert's endorsement, and then it says:

Pay to the First National Bank of Chicago, Edward M. Dobkin, special account.

How do you account for that?

Mr. O'HARA. I don't have to account for it. I accounted for the \$5,000 that Eckert had on deposit, to Paul Eckert. What he does with it after I give it to him, I have no control over.

Mr. RICE. Do you have any idea what business he would have with Dobkin?

Mr. O'HARA. I think Dobkin is also in the same business.

Mr. RICE. As what?

Mr. O'HARA. A come-back man. You also have a check made payable from the special account dated a year or so back.

Mr. RICE. You mean he is a betting commissioner?

Mr. O'HARA. That is right.

Mr. RICE. Tell us about the arrangements for the wire service at Bowie.

Mr. O'HARA. Now, by wire service you mean come-back phones or wire service?

Mr. RICE. Not the come-back phones, the wire service that gives the racing news, Howard Sports.

Mr. O'HARA. Well, we arranged with Paul Eckert for that the first meeting only.

Mr. RICE. How about last year?

Mr. O'HARA. No.

Mr. RICE. No arrangements at all?

Mr. O'HARA. None at all.

Mr. RICE. How would they get the racing news?

Mr. O'HARA. How did they get them in Florida? If you can answer that question, you will be a millionaire.

Mr. RICE. Well, they are wigwagging or by radiotelephone.

Mr. O'HARA. That is right.

Mr. RICE. Is that the way they did it at Bowie?

Mr. O'HARA. The first meeting at Bowie this year, September 30 to October 14, we permitted Mr. Eckert to have a phone or wire in the track for \$200 a day.

Mr. RICE. Now, who paid the \$200 to who?

Mr. O'HARA. Paul Eckert paid \$2,000 to the association.

Mr. RICE. Paul Eckert did?

Mr. O'HARA. Right.

Mr. RICE. Who does he represent?

Mr. O'HARA. I don't know who he represents.

Mr. RICE. Well, we have him representing K. & K., and there is some indication that he is connected with Dobkin.

Mr. O'HARA. All I know about him is that he is Paul Eckert.

Mr. RICE. What was the deal?

Mr. O'HARA. For news service. He gave the last line and the payoff and results.

Mr. RICE. As a result of that did they put a Western Union wire in, a ticker?

Mr. O'HARA. Yes.

Mr. RICE. A regular transmitter?

Mr. O'HARA. A regular ticker.

Mr. RICE. Was that Morse or the keyboard type?

Mr. O'HARA. It is a ticker.

Mr. RICE. Of the keyboard type?

Mr. O'HARA. A keyboard ticker.

Mr. RICE. Where did the other end of that wire end up; do you know?

Mr. O'HARA. No; I don't. We just gave them permission to put it in for \$200 a day.

Mr. RICE. And that was the first fall meeting?

Mr. O'HARA. That is right.

Mr. RICE. Did you receive that many from Eckert?

Mr. O'HARA. We asked for a check, and I asked Mr. Pierce about it, and I asked Mr. Farrell about it.

Mr. RICE. What kind of a check did you get?

Mr. O'HARA. I asked Mr. Pierce how he wanted it handled.

Mr. RICE. Who is Mr. Pierce?

Mr. O'HARA. He is the secretary-treasurer, how he wanted to handle it. He said, "Get a check in your name or my name."

So I went to Mr. Eckert and got a check for \$2,400 made payable to Howard Pierce.

Mr. RICE. That was for 12 days?

Mr. O'HARA. That is right. After Mr. Pierce got the check, he says, "I don't want this; take it back and get cash."

So I took it back to Mr. Eckert, and Mr. Eckert did not have the cash. After the meeting was over, he came to the office and gave us cash. That cash I put in the safe in the office.

Mr. John W. Farrell took the cash out of the office, he and Mr. Pierce, because they did not want it detected.

Mr. RICE. They did not want it what?

Mr. O'HARA. They did not want it detected. I don't know what they wanted to do with it, but they didn't want it to go through he books.

So they took the \$2,400 down and put it in the Safe Deposit & Trust Co. We have a box where we keep bonds, and there have to be two officers go to the bank, so John Farrell and Howard Pierce, the secretary and treasurer, went down and put \$2,400 in the Safe Deposit & Trust Co. box.

After a week or so they decided that that was too hot or something, so John W. Farrell and Edward Farrell, his cousin, went down and took it out, and John kept it in his own personal safe in the same building we are in on the second floor.

I asked him a dozen times to put the money in the association, and he said, "After I find out how to handle it, we will put it in."

I spoke to Tom Miller, the certified public accountant, and he said it should go through the books as a concession, which I recommended to our president. He refused to do that.

On January 5 he come rushing down to Eckert with a certified check on our association; they drew a check against the company for \$2,400 and paid it back to Howard News Service.

Mr. RICE. Could it have been Howard Sports Daily?

Mr. O'HARA. That could be it.

Mr. RICE. Harry Bilson's outfit in Baltimore?

Mr. O'HARA. That could be it, Howard Sports Daily or Howard News Service, whichever you want to call it.

He said, "I gave you my own personal check, and I want it made out to me."

So January 5 that was he made the check out against the association. He had not made a deposit to the association.

About January 11 or 12 he finally made a deposit of the \$2,400 to cover the check.

The CHAIRMAN. I don't believe you have ever gotten paid then, have you? You got \$2,400, and he gave a check to Howard News Service.

Mr. O'HARA. No; we have not been paid actually.

The CHAIRMAN. How are you going to get the \$2,400 back?

Mr. O'HARA. We will have to get Mr. Farrell in a corner, I guess.

Mr. HARLAN. I think I can explain that.

The CHAIRMAN. Just a moment, sir. Who are you?

Mr. HARLAN. My name is Joseph Harlan. I am counsel for Mr. O'Hara.

The CHAIRMAN. Oh, I did not know you were here. You could have been down there with your client.

Mr. HARLAN. Well, he can say anything he wants to say. He will not tell you anything that is not true.

The CHAIRMAN. Then supposing you tell us about it.

Mr. HARLAN. The certified check drawn by Farrell and Pierce to the Howard News Service was returned by Paul Eckert and is now in the hands of the association.

The CHAIRMAN. How does that explain it?

Mr. RICE. Where did Eckert get it?

Mr. O'HARA. From John W. Farrell and Howard Pierce.

Mr. HARLAN. They drew it on the association funds.

The CHAIRMAN. Well, here is the check for \$2,400 to the Howard Sports Daily.

Mr. HARLAN. That is right.

Mr. O'HARA. Why don't you get Mr. Eckert to come over here and tell you about it?

The CHAIRMAN. Wait a minute, Mr. O'Hara; just a minute.

Mr. RICE. Just a minute, Mr. O'Hara.

The CHAIRMAN. This is signed by Farrell and Pierce.

Mr. HARLAN. That is right.

The CHAIRMAN. And Mr. Eckert took this check to the Howard Sports Daily.

Mr. HARLAN. No.

The CHAIRMAN. He mailed it to him?

Mr. HARLAN. No. Mr. Eckert returned that check to Mr. O'Hara, and I—and we in turn returned it to the association so the association has that check, that certified check, and I assume they will have it canceled.

The CHAIRMAN. Canceled or cashed?

Mr. HARLAN. Canceled.

The CHAIRMAN. Then they got some money from it?

Mr. HARLAN. This is the \$2,400 that these two fellows drew out of the association to pay back when they had not even paid the money into the association until subsequently.

The CHAIRMAN. You mean going through Howard Sports Daily does not mean anything at all?

Mr. HARLAN. That check was given to Eckert. Eckert says there, "I don't want it." He gave it back to the association. The association now has it. They will cancel it.

The CHAIRMAN. The association still has \$2,400?

Mr. O'HARA. Which they eventually got 6 days after that check was drawn.

Mr. RICE. As a matter of fact, wasn't there a check at one time delivered to Howard Sports Daily?

Mr. O'HARA. It was delivered to Eckert.

Mr. HARLAN. No; what happened was this: John W. Farrell and Howard Pierce called Eckert up to the office and said, "Look here, we want to pay you this money back." He says, "I don't want it."

So they had drawn this check, and there is a copy of it. In the meantime the money still had not been returned to the association by them, and they were still giving this check out. Subsequently the check was picked up and returned back to the association, and subsequently they paid in the \$2,400.

Mr. O'HARA. Oh, let me interrupt you. Do you have the letter that they wrote?

Mr. HARLAN. You mean——

Mr. O'HARA. Well, Mr. Pierce or Mr. Farrell wrote a letter to Mr. Eckert.

Mr. HARLAN. Yes; Mr. Pierce or Mr. Farrell wrote a letter to Mr. Eckert.

Mr. O'HARA. It was just brought to his attention that the manager had acted without his authority or without their authority and accepted this \$2,400. It could not be brought to their attention by the auditor because it had never been in the books yet.

Mr. HARLAN. One other point I might bring out. There is a bill now pending in the circuit court in Baltimore to remove these two gentlemen as officers, alleging in addition to this \$2,400 business the embezzlement of approximately \$4,000, so that there is more to this thing than meets the eye in regard to the internal management.

Mr. RICE. Yes; I will go along with that.

Now, let us recap this. There was a contract made for \$200 a day, which was made partly by Mr. O'Hara and Eckert, under which the wire would be permitted to be put in the track. They were to pay the track \$200 a day. Somewhere along the line \$2,400 was delivered to somebody.

Mr. O'HARA. Right.

Mr. RICE. By Eckert.

Mr. O'HARA. That is right.

Mr. RICE. Then there came a time when some question about the \$2,400 was raised, and it was decided to return the \$2,400; is that right?

Mr. O'HARA. Mr. Farrell himself decided that.

Mr. RICE. Mr. Farrell decided to return it.

Mr. O'HARA. Three months after the meeting was over.

Mr. RICE. After the meeting was over?

Mr. O'HARA. Three months.

Mr. RICE. Three months after.

Mr. O'HARA. Yes.

Mr. RICE. Because the thing was a little too hot to handle?

Mr. O'HARA. October 14 the meeting closed. We were paid, and he turned the money back January 5.

Mr. RICE. Well, he decided to turn the money back. As a matter of fact, wasn't there an effort made to deliver the money to Howard Sports Daily?

Mr. O'HARA. He drew the check on Howard Sports.

Mr. RICE. He did more than that; he went to Howard Sports, didn't he?

Mr. O'HARA. He called Mr. Eckert up, and Mr. Eckert came to our office, and in turn he was called down to John W. Farrell's office on the second floor.

Mr. RICE. Where does Bilson come in?

Mr. O'HARA. I don't know Bilson.

Mr. RICE. Well, he might help you to know that Mr. Bilson told me today that the officials from the Bowie track attempted to give the money to them. There was a letter directed to Howard Sports Daily, Munsey Building, Baltimore; and this letter was over the signature of Farrell, of the Southern Maryland Agricultural Association; and they tendered a check in the amount of \$2,400.

Bilson told them that he had no contractual relationship, that Eckert was doing the dealing, and they subsequently left. Eckert evidently took the transaction up from there.

Mr. O'HARA. Well, as you say, there was that letter which was not me, it was Howard Pierce and John W. Farrell, and after trying to make this attempt to repay Howard Sports Daily, and they unsuccessfully could not do it, so they got hold of Eckert, and Eckert came to their office and received the check in a letter, in an envelope. He didn't even bother to look at it until after he got home; and, when he looked at it and saw that it was made out to Howard Sports Daily, that is how it happened. That is his story.

The CHAIRMAN. Let us put the letter in the record.

(Letter is identified as exhibit No. 17, and appears in the appendix on p. 759.)

Mr. HARLAN. Is that the same copy of the letter I have here, dated in January?

Mr. RICE. January 5, 1951.

Mr. HARLAN. In that letter I would like to point out to you that he states:

As president of the Southern Maryland Agricultural Association, it has recently come to my attention following an audit of our books—

et cetera. That is dated January 5, but the money was actually returned by them on the 11th. So it is rather difficult to understand how it was called to their attention.

The CHAIRMAN. It looked like somebody had some hot money.

Mr. RICE. Nobody wanted it.

The CHAIRMAN. Do you have anything else, Mr. Rice?

Mr. O'HARA. I wish you would call the rest of the tracks in and have them explain like you have called me in.

The CHAIRMAN. Let me ask you a question or two:

What if you stopped this come-back money business, would it make it more difficult for the commission men to operate?

Mr. O'HARA. Well, they are going to operate anyhow.

The CHAIRMAN. I know.

Mr. O'HARA. They operate in Florida at Hialeah Park. They are operating all over the country.

The CHAIRMAN. But they cannot call from East St. Louis, Cincinnati, and Kingston, and get reassurance like they do now, as you call it. That would stop that, would it not?

Mr. O'HARA. It has never stopped.

The CHAIRMAN. I mean, I am not saying——

Mr. O'HARA. It has not stopped in 35 years, to my knowledge.

The CHAIRMAN. I mean, assuming that we could stop this come-back money operation, would that put a substantial crimp in the operation of the big-time commission men?

Mr. O'HARA. Sure.

The CHAIRMAN. You say it would?

Mr. O'HARA. Yes, and it would also put a substantial crimp in the income of the State and of the association.

The CHAIRMAN. Well, I am not talking about that. We disagree with you about that.

Would it put the big-time commission men out of operation?

Mr. O'HARA. No, not in my opinion.

The CHAIRMAN. But it would considerably hurt his operation, wouldn't it?

Mr. O'HARA. It would retard it some.

The CHAIRMAN. Because then if he got a tremendous amount on some horse that he did not want, and was not very sure of, he would not have any method of getting reassurance on it?

Mr. O'HARA. They will always find a method.

The CHAIRMAN. I mean, assuming that you can stop it.

Mr. O'HARA. I don't think you can stop it. You asked for my opinion, didn't you?

The CHAIRMAN. I am not asking you whether we can or not.

Mr. O'HARA. Well, you asked for my opinion, and that is my opinion.

The CHAIRMAN. I asked you, assuming you could stop it, would that substantially put a crimp in the operation of the big-time commission broker or bookie.

Mr. O'HARA. I think you are assuming too much.

The CHAIRMAN. I am not asking you to decide whether I am assuming too much or not.

Mr. O'HARA. I cannot answer it, then.

The CHAIRMAN. I am asking you to assume that we could stop it, then would that hurt the operation of fellows like Carroll and Mooney, and Rosenbaum.

Mr. O'HARA. I would think so. If you could really stop it.

The CHAIRMAN. Why is it that they don't usually make any money out of a season, because the money comes on horses they are not very sure of?

Mr. O'HARA. Oh, they like to lose, if that is any news to you.

The CHAIRMAN. They like to lose?

Mr. O'HARA. Sure.

The CHAIRMAN. Why?

Mr. O'HARA. Well, if they take \$10,000, they may lay off \$5,000 or \$3,000 or \$4,000, or something, and they are holding part of it, and the more they lose the more they win at the track.

The CHAIRMAN. Well, that sounds peculiar.

Mr. O'HARA. That may sound a little silly, but that is the fact, just the same; they prefer to lose.

The CHAIRMAN. What you mean is if Mooney has \$20,000 on a horse and bets \$2,000—that is, if he has \$20,000 against the horse and he

bets \$2,000 for the horse, he would rather lose his \$2,000 at the track, is that what you mean?

Mr. O'HARA. That is correct.

The CHAIRMAN. So he is taking out reassurance?

Mr. O'HARA. That is correct.

The CHAIRMAN. You think if it could be stopped it would considerably obstruct their operation?

Mr. O'HARA. Yes; I do.

But I might have my doubts about it being stopped.

The CHAIRMAN. All right.

Mr. RICE. As a matter of interest, Mr. O'Hara, it might be of interest to you in connection with your argument that the money comes from a long ways away, that we checked your telephone toll calls out at Bowie one day during your meeting, and noticed a substantial number of telephone calls coming from what might be called obvious bookie locations in Baltimore and Washington.

For instance, the telephone number of National 1969, which was listed to Alaska Travel Service, 1525 I Street NW., was called several times.

There was also a number, or two numbers, Sterling 8566 and Sterling 8085, which were listed under the name of Thomas Tours, 1525 I Street, and both of these are right across from the Veterans' Administration in Washington. Both of these numbers were disconnected January 8, 1951.

It is interesting to know that that place went out of operation at almost exactly the same time that the Maryland State police made a raid on the betting outfit there at Laurel and it was evident that that outfit at Laurel was in touch with this number here.

So I say to you that I think it would be well for you to consider in your argument as to whether this come-back money is something to be condoned because it comes from out of State, to consider whether it is not actually money that is coming from bookie operations in the immediate area of the track.

Mr. O'HARA. Well, those people in Washington, Baltimore, St. Louis, or Pittsburgh are not at the track.

The CHAIRMAN. But if they could not do it by telephone they might be at the track.

Mr. O'HARA. And they might not, too.

The CHAIRMAN. Well, you can see that off-the-track betting bookie operations hurts the track. I think all the evidence shows that is true. That is correct, isn't it?

Mr. O'HARA. I don't know.

The CHAIRMAN. All right, thank you, Mr. O'Hara.

Mr. O'HARA. You are welcome.

Mr. HARLAN. May I ask a couple of questions?

The CHAIRMAN. Yes, if you will make it brief. We have another witness who is waiting here.

Mr. HARLAN. I want to ask one or two pertinent questions: If I should go to the track and bet \$20,000 and request a check—say I should win, and I should request a check rather than cash, would you give me a check?

Mr. O'HARA. Yes, I would.

Mr. HARLAN. And on what account would you give it to me?

Mr. O'HARA. On the special account.

Mr. HARLAN. On the special account?

Mr. O'HARA. Yes, sir.

Mr. HARLAN. Then there is one other thing I wanted to ask and I will be very brief about it and that is with regard to compensation to you in any form or to anyone from any of these alleged come-back men:

What compensation, if any, do you receive?

Mr. O'HARA. Nothing in cash. As I say, I showed you this money clip, I received that, and last year I got a case of whisky. That is all I have received.

A few years back I got one from a fellow named Joe Harley, who used to work for Frank Erickson, his name is something like yours. I don't know Frank Erickson either, but Joe Harley was his clerk, the same as Norman Helwig is for the others.

The CHAIRMAN. I assume whoever helps them receives presents, too.

Mr. O'HARA. Well, I get presents from others, I get a couple of ties from one place and I get a dozen handkerchief from the Lincoln Cleaning Co., and I get a deck of cards from the camera company.

The CHAIRMAN. Thank you very much, Mr. O'Hara. Thank you, sir.

Mr. O'HARA. You are very welcome.

(Witness excused.)

(Following the testimony of George Richardson, assistant superintendent of police in charge of detectives, Philadelphia, Pa., which is included in part 11 of the hearings of the committee, the hearing was adjourned at 4:35 p. m.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

FRIDAY, MARCH 9, 1951

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE ORGANIZED
CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The committee met, pursuant to call of the chairman, at 10:30 a. m., in room 155, Senate Office Building, Senator Estes Kefauver (chairman) presiding.

Present: Senators Kefauver and Tobey.

Also present: John L. Burling and Downey Rice, associate counsel; E. Ernest Goldstein, assistant counsel; and Agnes S. Wolf, investigator.

The CHAIRMAN. The committee will come to order.

The chairman designates Senator Tobey and himself as a subcommittee to conduct this hearing on this subject.

Since shortly after our committee started functioning last May, one of the problems that we have been confronted with has been the infiltration of some racketeers into some parts of the liquor business.

We sent our questionnaires to distillers, to wholesalers, and to practically all segments of the liquor industry, to ascertain facts, and we have compiled quite a file on the subject, which will be released before we get through, and will be included—the findings will be included—in our final report.

Also on November 8, 1950, we had an executive meeting, at which time we had present representatives of, I believe, all of the distillers, major distillers, in the country, and Mr. Avis, the Assistant Deputy Commissioner of the Alcohol Tax Unit, and many other officials, Federal and State.

At that time also we had present Clarence Evans, who is the commissioner of finance and taxation in the State of Tennessee, and who is an old and good friend of the chairman of this committee.

Mr. Evans, acting as an unofficial chairman or friend of the committee, has been in contact, as the committee has, with other commissioners of finance and taxation in the dry States in an effort to work out some system for the prevention of the shipment of untaxed liquor into the dry States or into the dry parts of the States, into counties that are dry.

At the time of our meeting in November 1950 the representatives of the distillers stated or indicated that if the matter were left to them that they would take action to try to see that their wholesalers discontinued this practice.

We have with us today, Mr. Evans, from the State of Tennessee, the commissioner of finance and taxation; Mr. Hewitt—I do not know

the exact title that he has—supervisor of the liquor control of the State of Missouri; Mr. Saunders, who occupies a similar position for the State of Virginia; Mr. Winston, head of the department in North Carolina; and Mr. Redwine, of the State of Georgia.

Senator TOBEY. Redwine?

The CHAIRMAN. Not Burgundy, Redwine. [Laughter.]

Mr. Neil Evans, of the Alcohol Tax Unit, Federal Alcohol Tax Unit, stationed in the State of Kentucky, has been very helpful; and Mr. Avis, the Administrator of the Alcohol Tax Unit, who has been working with us on this problem, is also present, and will be a witness later.

Our first witness will be Clarence Evans, the commissioner of finance and taxation in the State of Tennessee.

Mr. Evans, our rule is that all witnesses have to be sworn.

Do you solemnly swear that the testimony you give this committee will be the whole truth, and nothing but the truth, so help you God?

Mr. EVANS. I do.

TESTIMONY OF JAMES C. EVANS, COMMISSIONER, DEPARTMENT OF FINANCE AND TAXATION, STATE OF TENNESSEE

The CHAIRMAN. You are Clarence Evans, commissioner of finance and taxation of the State of Tennessee, and you have been commissioner for the past—

Mr. EVANS. Two years; slightly over that, sir.

The CHAIRMAN. And, as commissioner, you have charge of the alcohol control matters for the State of Tennessee; is that correct?

Mr. EVANS. Tax matters and control matters as to licensees.

The CHAIRMAN. I know something about Mr. Evans' position because for 3 months in the early part of 1949 the chairman had the privilege of serving as commissioner of finance and taxation for the State of Tennessee.

In that position was the first I had with either finance or taxation, and I did not find out anything about the financial part of it that has been of any use to me in my personal finances since that time.

Mr. EVANS. Will you tell us about the problem, and about what you are doing, or, Mr. Burling, you question the witness.

Mr. BURLING. I think, Mr. Chairman, that Mr. Evans can tell us the story without any particular leading questions from me.

I think, Mr. Evans, you should assume that we want to have a complete picture of the export problem, that is, the interstate shipment of liquor into States or counties where the sale is unlawful.

I think, Mr. Chairman, we might, in order to simplify the problem, ask Mr. Evans to omit the local bootlegging, that is, moonshining, the manufacturing in small quantities of liquor in intrastate distribution, and ask him to tell us the story of the interstate distribution of liquor, as he sees it.

Will you proceed, sir?

Mr. EVANS. As I understand the matter, the purpose of this is to get into the interstate aspect of the illegal liquor traffic, and so we will not touch at all upon the moonshine industry.

The problem that we have to deal with here is the movement into the Southeastern States of bonded, what is known in the trade as red whiskies, produced in regularly licensed distilleries, but destined to

dry areas of local-option States in the Southeast or in some instances to wet areas of those States where there is sufficient tax incentive or economic incentive because of the tax, to make the traffic worth while.

The CHAIRMAN. Before you start, Mr. Evans, let the record show that the wholesale companies at Cairo about whom you will testify, and about whom, I understand, your testimony will be largely concerned with, have been notified of this hearing, and asked to have representatives here to bring their records, and with an offer, of course, to pay their expenses.

We have had messages back that they are not able to be here at this time because, frankly, of the short notice, only 2 or 3 days' notice, but they will be given an opportunity, a fuller opportunity, of coming in and making any explanation of testimony that you and the other commissioners give.

They should have been here on this occasion, but in one case their attorney was tied up in court, and in the other case the man just said he could not come. But we do want them to know the record will show that they have been advised of the meeting and of the nature of the testimony that will be brought out, and we wanted them here to state their side, and they will have a full opportunity to do so.

Senator TOBEY. First, may I ask the witness: You are from Tennessee?

Mr. EVANS. Yes, sir.

Senator TOBEY. What is the law of Tennessee with respect to liquor?

Mr. EVANS. We have what is known as local option.

Senator TOBEY. Each community can decide for themselves whether they want it sold?

Mr. EVANS. The county can vote as a separate unit.

Senator TOBEY. Counties vote by counties?

Mr. EVANS. Yes, sir.

Senator TOBEY. But not in the individual towns.

Mr. EVANS. There has been a change in the law just recently, so that there is one district which is unincorporated at Oak Ridge, a new municipality or a new urban district that has sprung up, and the law, passed just a week or so ago, where it is provided that it can be treated as a town for purposes of voting—of having liquor licenses, and independently going wet if he wants to.

Senator TOBEY. Then the jurisdiction as to whether liquor is sold or not applies to counties rather than the State as a whole, is that right?

Mr. EVANS. It is settled—the jurisdiction is by counties; yes, sir.

Senator TOBEY. All right.

How many counties are there in Tennessee?

Mr. EVANS. Ninety-five counties in the State.

Senator TOBEY. How many of those bar the sale of liquor?

Mr. EVANS. Well, I will answer it by subtraction.

Senator TOBEY. Approximately?

Mr. EVANS. Let me give you this picture: Memphis, Shelby County, is wet; that is the western end of the State. Nashville, the big urban area in the middle of the State, Chattanooga, the urban area of the Senator's home town, is wet; Knoxville, the urban area near Oak Ridge, is dry; but Anderson County, just adjacent to Knoxville, is wet and, of course, there is this new complication in the law about Oak Ridge that I just mentioned.

In addition, there is one county adjacent to Nashville, Williamson County, is wet; and there are two other counties down on the river in west Tennessee.

Senator TOBEY. Well, is the charge that they are flooding the counties with liquor, is that the story?

Mr. EVANS. Yes, sir; that is the charge as to my State.

Senator TOBEY. That is the charge in Tennessee?

Mr. EVANS. Yes, sir.

Senator TOBEY. In other words, the liquor interests that are sending liquor into the State counties are breaking the law. What are you doing about it?

Mr. EVANS. That is the story we have here today.

Senator TOBEY. All right.

Mr. EVANS. It is a long story.

Senator TOBEY. Proceed.

Mr. EVANS. When I became commissioner 2 years ago—

Mr. BURLING. If I may interrupt you, I think a short answer to Senator Tobey would be "a great deal," and we are going to try to bring that out, sir.

The CHAIRMAN. Yes; they have been making a terrific effort.

Mr. EVANS. Let me point this out in that connection. In Tennessee, under our statutes, it is not my intention to enforce the bone-dry law. I have taken the position that that is a local officer's problem. I do consider it my function to keep liquor from moving in interstate commerce into the State, and that is the problem that we are dealing with here.

When I became commissioner I soon discovered that this traffic was going on, and the size of the traffic was amazing to me at the beginning.

I have with me a few figures, a few sample sheets, of statements out of Illinois from the Southern Wholesale Liquor Co., July 1949, for example, listing consignments to Tennessee purchasers.

We promptly went to work and tried to make cases on those people, and to seize their trucks, and we were successful in some instances, as Mr. Argo of my staff can go into in some detail. I call him one of my bird dogs because he is one of the fellows who gets out on the road and does the work.

Mr. Lauderdale is here with him, and he will testify also, if the committee cares to hear him, with respect to those seizures. Mr. Lauderdale will also cover his experiences working in Cairo as an undercover man.

At the same time that we were faced with this problem, I found that North Carolina had already gotten into it through Mr. Winston, who is here to testify.

Shipments were coming from Maryland. Rather, I would like to have Mr. Winston—I would ask him if he would testify as to his experience with Maryland and how Maryland cooperated, and took away the incentive of a tax-free movement out of Maryland by changes in their regulations.

The Maryland operation was, I would not say stopped, but it was definitely slowed down.

When that happened, the same people or the same type operation involving some of the same people, apparently moved to Cairo, Ill., and took over just exactly the details of their trade or their contract, I do not know, but they moved in with Mr. J. B. Wenger, a

wholesaler there, and proceeded to continue their sales, and conspiring to facilitate shipment into the Southeastern States in the course of which they used clandestine methods, such as going out into the country and reloading the trucks at night and putting it in flat-bedded, fake-bottomed trucks, and in creosote-oil trucks with fake tanks in them, and all such practices as that, which Mr. Argo and Mr. Lauderdale are here to tell about, and coupled with the use of false invoices and false signatures of receipts on the invoices, in order to obtain the tax exemptions in Illinois.

Mr. BURLING. Mr. Evans, perhaps you ought to explain the tax situation with respect to the so-called export houses. What is the Federal tax situation? What is the Illinois State tax situation?

Mr. EVANS. All of this liquor is Federal tax-paid. That is taken care of at the distillery level before it ever gets to the wholesalers in Illinois.

There are in Illinois these border export houses which do practically no domestic business in Illinois but which do an export business, and there is no incentive to do an export business except to an area where it is illegal or where they are ducking taxes.

Mr. BURLING. By "export" you mean a shipment out of Illinois into some other State?

Mr. EVANS. Yes, sir.

Mr. BURLING. What is the Illinois tax law with respect to such sales?

Mr. EVANS. As I understand the Illinois tax law, they are exempted from paying the Illinois tax if they have the proper documents to establish that the shipment was or the sale was to a party going outside the State.

It has been the position of all of the southeastern commissioners that the sales taking place, the delivery taking place, and the money changing hands in Illinois, that it was an Illinois sale and it should not be exempted from taxes.

Mr. Winston had detailed conversations—I believe Mr. Hewitt was with him—in Springfield with personnel of the Illinois Liquor Tax Board, and again Mr. Winston will get into that in detail.

We thought that they had agreed with us and were going to do the same thing Maryland did, but they never have, although this has been going on for over a year and a half now, a year, with Illinois.

So the sales and deliveries made there in Cairo are enjoying an Illinois tax-free situation or exemption, which makes the liquor move into the Southeastern States bearing or having paid the Federal tax and nothing else.

But our tax of \$2 a gallon—Georgia's tax is the highest, and incidentally I have told my friend, Mr. Redwine, I think this act accentuates this problem—is \$15 a case; ours is \$6 a case.

Mr. Redwine, I believe, has caught bootlegging right there in wet areas right in Georgia, in and around Atlanta, because of that economic incentive.

Mr. BURLING. Do I understand you correctly, sir, that it is your opinion and your experience of where the tax is sufficiently high, then bootlegging will take place even in a wet area; and where the tax is not very high, then bootlegging will not take place in a wet area?

Mr. EVANS. Yes, sir; and I might point out in that connection, although it was not before this committee, that the proposed additional

\$3 tax on liquor is going to accentuate the bootlegging problem because of the same economic factors.

One of our primary complaints is that in order to obtain these tax-free privileges in Illinois, these export houses will resort to the use of phony or false signatures.

Mr. BURLING. Before you get to that, Mr. Evans, I think you should explain what documents the Federal law requires a liquor wholesaler to have; what license and what records he is supposed to keep.

Mr. EVANS. Well, I am not any authority on the Federal law, but as I understand it—

Mr. BURLING. Mr. Avis is here.

Mr. EVANS. Mr. Avis can correct me if I make an error in this. They are required to keep two forms, what are known as 52-A and 52-B; their A being their inflow and the 52-B being their outflow.

They make those up, I presume, from their original records, and their original records in some instances, in the instances that we have run across, take the form of a sales ticket or bill, you might call it, such as this one [indicating]. I do not want to put this in evidence now. It is to come later in a specific matter. This is just typical of it.

On the bottom of the form is an affidavit, that affidavit being to substantiate delivery and to be returned to the company, and they in turn to file it to claim their Illinois tax exemption.

Mr. BURLING. Is that an Illinois form or a Federal form?

Mr. EVANS. That particular form is an Illinois form, but they take that or their other original records and make up their 52-A's and B's from it.

Mr. BURLING. But the 52-A's and B's are Federal forms?

Mr. EVANS. They are the Federal records. That is the log of all their flow.

Mr. BURLING. In other words, a wholesale liquor seller is required by Federal law to keep records indicating to whom he sells the liquor; is that correct?

Mr. EVANS. That is right.

Mr. BURLING. Is there any regulation as to who may purchase liquor from a wholesale house?

Mr. EVANS. As I understand it, a wholesaler may sell under Federal law to anyone, but in excess of certain small quantities a person must have an RLD stamp, a retail liquor dealer's stamp, in order to have large retail quantities of liquor in his possession.

I further understand that they are not required to establish that they have an RLD—retail liquor dealer's stamp—when they go up to make a purchase from the wholesaler at Cairo.

Now, does that clarify the point you are talking about?

Mr. BURLING. I am not quite clear. Can I walk in off the street and purchase, say, 500 cases of whisky in Cairo from one of these export houses, or do I have to identify myself and establish that I have some Federal license or stamp?

Mr. EVANS. You do not have to establish that you have a Federal license or stamp, as I understand it.

The buyer, when he walks in there, though, would be in violation of the law if he gets into the—the Federal law—if he gets into the retail liquor business with 500 cases of whisky on his premises.

Mr. BURLING. But we are trying now to get at what the wholesaler is required to find out.

Mr. EVANS. The seller, he can sell to anyone. I think they have a regulation requiring reasonable assurance as to the identity of the vendee, but they do not—they have had a practice of requiring them to establish their RLD, that they do have an RLD, but, as I understand it, that has been more or less a ground rule set up out there, and is not a requirement of the Federal ATU's regulations.

Senator TOBEY. When does title pass to the liquor that is passed from Cairo into a dry section of Tennessee? Does it pass to the buyer in Cairo or does it pass on delivery?

Mr. EVANS. In most instances it passes in Cairo.

Senator TOBEY. So that John Jones, in the dry portion of Tennessee, owns the liquor when he buys it in Cairo and then he orders it shipped to his home town?

Mr. EVANS. He goes up there with a truck or maybe he sends a trucker up there or maybe a man buys a truckload and has arranged a resale in some Southern States.

Senator TOBEY. There is no violation for selling the liquor to John Jones or Mary Smith? The burden of guilt is the man who buys the liquor and brings it into the dry territory, is it not?

Mr. EVANS. Except for the fact that the liquor dealers in Cairo conspire with and send agents and arrange all of the movements into the Southeastern States.

Senator TOBEY. They provide the trucks and so forth?

Mr. EVANS. They have tie-ins as to trucks; they send their people down. For example, Mr. Lauderdale over here participated in one of these movements where a man from Cairo goes to Georgia and arranges the whole transaction.

Senator TOBEY. So they are guilty of conspiracy to break the law, is that correct?

Mr. EVANS. That is correct.

Senator TOBEY. You are prosecuting them for it?

Mr. EVANS. We try to get jurisdiction, sir.

Senator TOBEY. Don't you have jurisdiction under the law?

Mr. EVANS. They are not coming down there. Mr. Redwine has some of them under indictment and he will tell about that. He started a criminal prosecution in one of his counties in Georgia and, I think, Mr. Wenger is one of the parties in that case.

Senator TOBEY. What happened to the prosecution?

Mr. EVANS. I am not sure about what the state of that is, and incidentally he has had a tax case against Wenger in Illinois, but which too he can tell about.

Senator TOBEY. I see.

Mr. BURLING. Well, is this correct, Mr. Evans, that there are two export houses in Cairo which do not do business with anyone except bootleggers, that is, they do not sell in Illinois and do not ship out of the State except into the dry Southeastern States?

Mr. EVANS. If they do any other business it is entirely negligible. I have been informed, and my men tell me, that they don't do any other business.

The CHAIRMAN. Well, name the companies. We have invited them to be here, so let us get the names.

Mr. EVANS. That is M. & B., and Southern at the present time. It used to be J. B. Wenger prior to this. I am informed that Mr. Wenger now has what is called Security Warehouse. Security Warehouse is a

warehouse through which federally bonded—through which all of this liquor passes and from which deliveries made to the two export houses as orders come in, and as the goods need to flow.

Senator TOBEY. That is located in Cairo?

Mr. EVANS. Yes, sir. Mr. Wenger is still right there in the business.

The CHAIRMAN. Who runs the other company?

Mr. EVANS. Mr. Charlie Smith. I believe he was formerly a beer distributor down in Nashville, and has gone up there, and is the active manager of the M. & B.

The other one is Hymie—the Rubins. Now, there is some question as to which Rubin is which and who does what, but the Rubins are the ones that run the other.

Senator TOBEY. Do you spell that R-u-b-i-n-s?

Mr. EVANS. R-u-b-i-n.

The CHAIRMAN. Mrs. Wolf, do you have a questionnaire that you can give us more information about, which was returned by these people as to who they are?

Mrs. WOLF. I just wanted the record to be straight as to which company Rubin was in.

The CHAIRMAN. Is it straight now?

Mrs. WOLF. No.

The CHAIRMAN. Will you straighten it out?

Mr. EVANS. Rubin is in the Southern; Charlie Smith is in M. & B.

Now, all the owners and the ramifications of it, I don't know. In fact, what I am telling you now is what my men have told me, and what the investigators—

Senator TOBEY. Have you ever talked to Rubin and Smith and these other fellows; have you talked with them?

Mr. EVANS. No, sir; I have not talked with them.

Senator TOBEY. What is their defense for breaking the law; what do they say? How do they explain it?

Mr. EVANS. The only defense they have got is that they are making a sale there in Cairo, I presume. That is what they would have to tell us, and yet they tell the Illinois tax authorities that they are exporters I did write Mr. Wenger one time, and he assured me there would be no more of it to Tennessee. Well, what they do is they will bill it to some other State on a fake billing.

Senator TOBEY. Transship it.

Mr. EVANS. And ship it into Tennessee or Georgia, and bill it to North Carolina, and ship it to South Carolina, and so on down.

The CHAIRMAN. Let us get these names correct. The M. & B., who operates the M. & B?

Mr. EVANS. Charlie Smith.

The CHAIRMAN. Charles Smith is the manager; is that correct?

Mr. EVANS. That is right.

The CHAIRMAN. Do you have any other officers of the M. & B?

Mr. EVANS. No, sir; I do not have the officers.

The CHAIRMAN. Do you have, Mrs. Wolf?

Mr. EVANS. I have all kinds of rumors as to who is involved.

The CHAIRMAN. Let us not get rumors.

Mr. EVANS. Some of my other witnesses here—

The CHAIRMAN. Charles Smith is the manager, and he is the only one you know for sure?

Mr. EVANS. Yes, sir.

The CHAIRMAN. What is the name of the other company?

Mr. EVANS. The Southern.

The CHAIRMAN. Who runs the Southern?

Mr. EVANS. The Rubins.

The CHAIRMAN. Who are the Rubins?

Mr. EVANS. There are two, Jake Rubin and Hymie Rubin.

The CHAIRMAN. Yes.

Do you know which is president and which is something else?

Mr. EVANS. I am not sure. There have been some wires here, where apparently each one is passing it off on the other.

Senator TOBEY. Are either Charlie Smith or any of the Rubins here? Is Hymie Rubin here?

Mr. EVANS. I would not know whether they were.

Senator TOBEY. Are any of these gentlemen here named today, the Rubins or Smith or any of the entourage from Cairo here? If they are, will they hold up their hands or stand up?

(No response.)

The CHAIRMAN. They were notified. They were notified, Mr. Burling?

Mr. BURLING. Yes, Mr. Chairman.

The CHAIRMAN. And asked to be here, by both telephone and telegram, is that correct?

Mr. BURLING. The telephone conversation was between me and someone who said he represented them, a lawyer in Chicago.

The CHAIRMAN. But telegrams were sent to them?

Mr. BURLING. Yes, sir.

The CHAIRMAN. All right.

Before you get any further, let us get the amount of your investigation. How much of volume in some typical period is sent into the Southeast or into Tennessee, or whatever you can testify about?

Mr. EVANS. These houses, these two houses, according to computations that we have made, and there are people—some of us say they are conservative and some liberal—but over-all M. & B. and Southern are doing about a \$20,000,000 business, total business, in the period of a year.

Senator TOBEY. That ain't hay, is it?

Mr. EVANS. No, sir; it is not, and it ain't chicken feed.

I have here some men who were in the room when Mr. Bob Denham, of Memphis, last Tuesday told me—first, to identify Mr. Denham, he is a distiller's representative and has sales connections through the suppliers who supply these export wholesalers.

Mr. Denham gave me some case figures per month. I forgot exactly what he said, but we checked that through and computed it out, and came up with this \$20,000,000 figure.

Incidentally, I might point out that M. & B. and Southern are not doing business, as we understand it, directly with distilleries. They are doing business through, for example, Mueller, another wholesaler in Illinois; I believe he has several houses, and he does a respectable local business with retailers over the State of Illinois, but he transships or rewholesales through Security to M. & B. and to Southern.

The CHAIRMAN. What are Mr. Mueller's first name and his company, Mr. Evans?

Mr. EVANS. George and Fred; I think there are two brothers in it. The company is in Springfield, Ill.

Mr. GOLDSTEIN. George A.

Mr. EVANS. Mueller Wholesale.

The CHAIRMAN. Speak up so we can hear you, Mrs. Wolf. You said you had it through your records.

Mrs. WOLF. We have it through the various distilleries which gave it as George A. Mueller Co., of Springfield, Ill.

The CHAIRMAN. Go ahead, Mr. Evans.

Mr. EVANS. Now, one of the ways I said—one of the things they have to resort is to known falsification of these receipts in order to get their tax advantage.

I have here the record in the case of United States of America against John Pearson, tried in the district court, western district of Tennessee, May 24, 1950. Mr. Pearson was on trial for hijacking liquor. Mr. Pearson, incidentally, is a man from whom or from whose brother, Mr. Argo had seized a truck just a few months earlier. Mr. Pearson's case is now on appeal and he is loose in the area down there, and I understand through my men who have contacts with the underworld, that he is right now going on his way hijacking, pending this appeal.

He was convicted and given 5 years by the judge. But the thing I want to bring out now is the testimony of D. R. Senter. Mr. Senter testified that Mr. Pearson sent him down to George and he bought an RLD stamp, a Federal liquor license.

Q. A Federal liquor license to do what?

A. Sign for whisky.

Q. Well, to do what? Sign for whisky in what connection, deliver it somewhere?

A. Yes, sir.

Q. Whereabouts?

A. Winder, Ga.

Q. Do you know what county Winder, Ga., is in?

A. I don't remember, sir.

And he says he purchased this stamp in Atlanta.

Then Mr. Senter goes on to tell how he goes up to Cairo and he says, "He gave me \$100 a week and expenses to sign for the whisky."

In other words, he sat right there in Cairo on a \$100 a week and signed these receipts.

Mr. Redwine has and will introduce a group of those receipts on shipments to Georgia that Mr. Senter was testifying about in this case.

Now, that was done with the actual and the full knowledge of the people up there in Cairo.

My own men can give you facts that they did have full knowledge of it; they can give you instances where the men went to the South and arranged these shipments, and they can hardly plead that they are innocent individuals, simply selling to the man who walks in off the street.

The CHAIRMAN. Mr. Evans, I suppose this has been printed, the transcript now, has it not?

Mr. EVANS. This transcript?

The CHAIRMAN. Yes.

Mr. EVANS. I guess it has, sir; yes, sir.

The CHAIRMAN. For the information of the committee, can that be made as an exhibit—not to be copied into the record—but for the committee's files?

MR. EVANS. Yes, sir. I will be very happy to have it put in.

THE CHAIRMAN. That will be made an exhibit, this transcript will be made an exhibit to Mr. Evans' testimony.

(Exhibit No. 18 is on file with the committee.)

MR. EVANS. I call particular attention to pages 6, 8, and 10 where Mr. Senter is giving his background of how they operated before the particular hijacking operation took place.

SENATOR TOBEY. Can you buy these licenses, these stamps?

MR. EVANS. That is one of our complaints. There is a difference of opinion as to how to correct the situation; but an RLD, the Alcohol Tax Unit is careful to point out an RLD is, according to the statute, purely a tax stamp. It is not a license; that it is not a license before it is issued.

When a man applies for that RLD he used to have to swear to a Form 11. That Form 11 has to show his home address, and he was violating the Federal law, of course, when he put something down there which was untrue. This year they left the oath off the Form 11 that pertains to applications for RLD's, for liquor, and I think slot machines, and so forth.

SENATOR TOBEY. Has the Department of Justice in Washington ever taken any cognizance of these situations?

MR. EVANS. I have not discussed it with them; no, sir. I don't know what they have done.

We think that some change should be made so that a man who under the Federal law gets an RLD stamp has got to establish his true identity before it can be issued to him, by picture, by something to establish definitely that he is who he says he is, and if he goes up and says, "I have got an RLD to ship to Knoxville, Tenn.," to see that he is not in fact some fellow from over in Virginia shipping to North Carolina.

SENATOR TOBEY. Why can't you add on that a condition precedent here to getting a stamp, a statement that this liquor was not to be shipped into a place where the sale of liquor is illegal, make a statement to that effect?

MR. EVANS. That would be all right, sir, but the problem is to pin him down and locate him. You see, what he will do is to get a stamp, maybe under a false name, for Knoxville, Bristol, Winston-Salem, N. C., and maybe ship the liquor to South Carolina. We get copies of invoices when they go into the Springfield, Ill., State Tax Authority, and go to look for this man, and he is not there. We have instances where it was a vacant lot.

SENATOR TOBEY. He is guilty of fraud, is he not?

MR. EVANS. Sure, he is guilty of fraud, but you cannot find him.

SENATOR TOBEY. Have any prosecutions ever been successful?

MR. EVANS. You can't find him.

SENATOR TOBEY. Cannot find who?

MR. EVANS. You cannot find the fellow guilty of fraud; the whole transaction is a phoney.

THE CHAIRMAN. Explain that a little further, Mr. Evans. Why can't you find him?

MR. EVANS. Well, take the case of Mr. Jones from, actually Winston-Salem. He comes to the Knoxville Internal Revenue Office and gets an RLD stamp. He puts down there "Jack Johnson from Virginia." They have to sell it to him regardless of where he is from.

He goes to Cairo and buys liquor, and he says, "I am Jack Johnson from Virginia," and the liquor moves out, and actually he will take the liquor and deliver it somewhere in South Carolina.

Senator TOBEY. Does he have to sign an affidavit, a sworn affidavit, that he is Jack Johnson?

Mr. EVANS. Well, when he signs that receipt up there certifying that the goods have been delivered where they said they were going to be delivered, he has to sign some name, but that does not mean anything. Just like Mr. Senter here, he will just sign a false name or send it to Cairo.

The CHAIRMAN. What Senator Tobey means is when he gets the RLD, he does not sign any affidavit that he is Jack Johnson.

Mr. EVANS. He formerly had to sign his application for an RLD on Form 11.

Senator TOBEY. Isn't that done now?

Mr. EVANS. That has been changed. That, I don't know, that is a Treasury Department form. Mr. Avis can probably tell you about this.

Let me tell you about this, I was informed yesterday that there is a general statute that will put the effect of perjury on it, as to Form 11, whether it was sworn to or not.

Mr. DWIGHT AVIS (assistant deputy commissioner, alcohol tax unit). That is the situation; it does not have to be sworn to.

The CHAIRMAN. How many of them have ever been prosecuted for perjury, Mr. Avis?

Mr. AVIS. I don't know of any prosecutions of that character.

The CHAIRMAN. It is not a very effective perjury statute, is it?

Mr. AVIS. Well, it is a question of identification.

The CHAIRMAN. Well, we will hear you later, Mr. Avis. Thank you.

I just wanted to bring out whether it was effective. Excuse me, Mr. Evans; you go on.

Mr. EVANS. If that is a sufficient outline preliminary of what the outline is, there are various aspects of it, and I would suggest that possibly Mr. Redwine would testify next as to the experience and the scope of it in Georgia, these legal entanglements with Wenger and the rest of the crowd; and also as to our conferences and negotiations at the distillers' level; and then that Mr. Winston testify as to his dealings or trying to get action, and the rest of us have tried too, with the distillers at the distillery level, to cut out this business, to cut out the flow to these houses.

The CHAIRMAN. Do you want to testify about what conversations and assurances you have had from the distillers, that they would stop this business, or can Mr. Winston do it better?

Mr. EVANS. Mr. Winston was host to our conference that we had with him in North Carolina last spring. He has the minutes, and I think he can state exactly who was there, and he can review that for us, I think. There in substance is what they said.

The CHAIRMAN. We will let Mr. Winston testify to that.

Mr. EVANS. Mr. Saunders is here. He is from Virginia. They do not have the acute problem that the rest of us have, but he does have a problem, and has a constant flow of seizures, and he tells me that right now he is getting a problem from right here in the District, bought at retail level, not wholesale level, and then I have Mr. Argo and Mr.

Lauderdale, from Tennessee, in my department, who have made seizures, and who have worked under cover, and been on the inside up there in Cairo, and seen just what went on with this M. & B. house, and what went on for the purpose, of course, of gathering testimony on it.

Mr. Argo and Mr. Lauderdale should testify in detail about these seizures. Then Mr. Evans, of the alcohol tax unit, I asked him to be here. He has been assigned to work with the Tennessee State department in eliminating this flow of nontax paid bonded whisky into the State.

Let me take this opportunity to say that Mr. Evans and his district chief, Mr. Fred Farrel, in Louisville, and also Mr. Dwight Avis, here in Washington, have done their best, and worked with us 100 percent, insofar as their law and authority permits them to do; that is, Mr. Avis, Mr. Farrel, and Mr. Evans. Mr. Evans investigated one particular case, and he told me about it when we first started on this, and I would like for him just to tell you of a typical case of how they set up these operations with these false stamps, and so on.

Mr. Avis, I did not ask him to appear, but I certainly want him to give the over-all viewpoint of the alcohol tax unit. He has worked with us 100 percent, and he has lived with the problem, I expect, longer than any State official here, so I would suggest now that Mr. Redwine or Mr. Winston, either one, be called.

The CHAIRMAN. Any questions of Mr. Evans?

Mr. BURLING. Is there anything, Mr. Evans, that would stop me from walking into the Federal office in Knoxville and saying, "I am Clarence Evans, and I want a retail liquor license stamp?"

Mr. EVANS. \$27.50.

Senator TOBEY. Where do they get that figure "27"?

Mr. EVANS. I do not know how they arrive at that.

Senator TOBEY. \$27?

Mr. EVANS. \$27.50, I believe it is, is it not, Mr. Avis?

Mr. AVIS. Yes, sir.

Mr. BURLING. If I have \$27.50 in my hand, I can get a stamp under the name of Clarence Evans without any check, any investigation to see who I am?

Mr. EVANS. Yes, sir; that is the way they have been got.

Mr. BURLING. And once I have that stamp, I can buy liquor in Cairo?

Mr. EVANS. You can buy it without the stamp.

Mr. BURLING. I can buy it without the stamp?

Mr. EVANS. But you cannot have it in your possession and sell it without the stamp.

Mr. BURLING. But under Illinois law, as you understand it, if I have the stamp showing that I am in some State other than Illinois, the liquor can be sold without any tax, any State tax being paid in Illinois?

Mr. EVANS. That is correct.

Mr. BURLING. But the Commissioners, such as you, who then go to Illinois to find out where the liquor is going to—

Mr. EVANS. Or have got form 52-V.

Mr. BURLING. Or to the Federal form, can't find anything because false names are being used?

Mr. EVANS. False entries are in there. Go look for the man in Knoxville and you come to find out he is nonexistent as far as Knoxville is concerned.

Mr. BURLING. And the name of the person to whom it is being shipped may be an address of a name in Georgia. In going through Tennessee they may drop it off there?

Mr. EVANS. They drop off from time to time in the States they go through, and he may give Georgia and travel through Tennessee and the North and South Carolinas. He may go through Georgia and double back up to throw everybody off the track.

Mr. BURLING. Is there also a problem of shipment? Supposing that I want to ship to Alabama, is there any law in Tennessee relating to my taking liquor through your State?

Mr. EVANS. I have set up in Tennessee a permit system. Under that system if the State of the proposed consignee, the State authorities send in their approval of the shipment—I have the regulation here—if the State authorities send in their approval of it, then we issue the permit which must accompany the truck, name the driver and describe the truck as it moves through the State.

The CHAIRMAN. We will have to recess until we can come back. Would it be better for everybody if we moved to 301?

Mr. EVANS. It would be more comfortable.

The CHAIRMAN. We will meet in approximately 15 minutes in room 301.

(Short recess—hearing resumed in room 301, Senate Office Building.)

The CHAIRMAN. The committee will come back to order. Mr. Burling, do you have any further questions of Mr. Evans?

Mr. BURLING. I just want to get one point clear.

The CHAIRMAN. The Chair is glad to have at the conference table an old and dear friend who has been very prominent in legal, political, and social matters in Tennessee for many years, Maj. Phil Whitaker, whose brother is a judge on the court of claims. Will you stand up, Major Whitaker, and let everybody see you.

Major WHITAKER. Thank you very much, sir.

The CHAIRMAN. Mr. Burling, any other questions of Mr. Evans?

Mr. BURLING. I just want to clarify one point, Mr. Chairman. Mr. Evans, you said that if someone were a lawful liquor dealer someplace in the South, say, in Florida—

Mr. EVANS. Under State law.

Mr. BURLING. Under State law, you would give a permit to ship across Tennessee?

Mr. EVANS. That is correct.

Mr. BURLING. But supposing I am a bootlegger in Georgia and I want to ship liquor from Cairo, Ill., to Georgia; is that a violation of Tennessee law?

Mr. EVANS. A violation of Tennessee law to possess, transport, or carry nontax paid whisky, that is, bearing a tax stamp of Tennessee, across or into or through the State unless proper permit has been issued or unless it is by common carrier.

I have here a set of the rules and regulations of the alcohol division of the department, and rule 18 covers that matter. Part 2 of rule 18 reads as follows:

There shall be included with such application—

that is, an application for a permit—

a statement addressed to the commissioner and signed by the proper taxing authorities of the State in which the destination is located—

that is to cover the across-State situation—

said statement to approve said proposed shipment and to state that it is legal and authorized under the laws of said receiving State.

I have taken a position that we should not facilitate the movement where it defeats the tax or other laws of a sister State.

Senator TOBEY. I have only been here a few minutes. This is all new to me, but I propound this question to you. The liquor industry of this country is a legitimate business since the eighteenth amendment was repealed, and they have got a lot of territory in which they can ship goods where it is legal, as with any other commodity, and yet, according to what you tell us—and I am sure you are telling us the truth—they, in their greed for abnormal profits or greater profits, are willing to lend themselves by various devices to break down the law in communities where it is illegal to sell. Is that right so far?

Mr. EVANS. I have reluctantly come to that conclusion; yes, sir.

Senator TOBEY. That being true, what is the liquor interests answer to this thing? Is it supergreed? Why is it that they are not willing to be law-abiding citizens and ply their trade and traffic where it is legal and not where it is illegal?

Mr. EVANS. I cannot defend their position, sir.

Senator TOBEY. Did you ever put it to them at all?

Mr. EVANS. Yes, sir. Mr. Winston plans to get into detail on that.

Senator TOBEY. What did they say?

Mr. EVANS. They give legal excuses that "We can't combine to decline to ship to M. & B., for example, or an export house. We will be subject to antitrust action."

There is a difference of legal opinion on that point. They said at Asheville, "You leave it to us. We do not want to make any agreement with you and put it down in black and white because we might wind up in an antitrust action, but you leave it to us. You notify us of who is doing what and we will stop it."

Senator TOBEY. It seems to me that the one thing any industry needs—and that particularly applies to the liquor industry—is a fair measure of respect that they are obeying the law, and when and if it happens they are not obeying the law and use excuses rather than reason in their zeal for profits, it seems to me a most amazing thing if they do not get onto themselves and say, "We will lean backward to obey the law and all its forces, and we will go the other way to the extent of seeming arbitrary. We must keep the law as law-abiding citizens." Do you agree with me?

Mr. EVANS. Yes, sir, and I have told them that I thought they should do that for the reason that there are many areas of the South that are borderline in public opinion, and it would take very little animosity from the public to prevail on those areas to vote dry.

In the Senator's home county of Hamilton there was a referendum about a year ago on whether to go dry. It stayed wet by about 1,000 votes out of a total of 29,000—and something, cast. That is how close public opinion is, and if I were in a business where I was looking for that trade area, I would, to use the phrase, keep my own self clean, and, as you say, lean over backward to do it.

Senator TOBEY. That is all.

The CHAIRMAN. Mr. Evans, can you give us any estimate of how much the State of Illinois is losing by way of tax on these shipments that are consigned for outside territory from these wholesalers in Cairo?

Mr. EVANS. It would take a computation on a \$20,000,000 business, figured at \$50 per case. That is how many cases?

Mr. GOLDSTEIN. 400,000.

Mr. EVANS. 400,000 cases, they are not losing but \$400,000.

The CHAIRMAN. \$400,000 a year?

Mr. EVANS. I believe that is correct. That is just a quick computation.

The CHAIRMAN. In other words, the bootlegger or the man comes to the wholesaler in Cairo and gets around paying the Illinois tax on the ground that he has his shipment consigned to somebody in another State; is that correct?

Mr. EVANS. That is correct.

The CHAIRMAN. And they do not pay the tax of the State in which they ship it, so they are paying no State tax to either State; is that correct?

Mr. EVANS. That is correct. They are paying only the Federal tax.

The CHAIRMAN. All right, Mr. Evans. We are very grateful to you, and again I want to express the thanks of the committee for the lead you have taken in working up information for the committee on this particular problem, and to express my personal opinion, which I am sure the committee and the staff join in, that we think you are a very excellent State official and you certainly have been vigorous in trying to do something about this matter. We are very much obliged to you.

Mr. EVANS. Thank you, sir.

Senator TOBEY. In Tennessee has this thing gotten into politics?

Mr. EVANS. Into politics? No, sir, it is not into politics. I have been very careful to keep it out of politics.

Senator TOBEY. Have the different machines and groups taken sides in favor or against the liquor interests doing this thing?

Mr. EVANS. You mean against tolerating their shipping from Cairo or from Baltimore?

Senator TOBEY. Yes.

Mr. EVANS. Let me put it this way: Some administrations look at one problem, some administrations seem to look at another. I do not know what the attitude of past commissioners was. All I know is that when I came in, I saw the problem was there and I have tried to go about doing something about it.

I do not say that they deliberately facilitate it or anything of that sort. I do not know whether it was facilitated or whether it was ignorance. I have nothing to justify saying that they cooperated or conspired in any way.

The CHAIRMAN. All right; thank you, Mr. Evans.

Mr. EVANS. Mr. Redwine, I think, would be the proper man to follow me.

The CHAIRMAN. All right; Mr. Redwine, will you come around.

Mr. Redwine, do you swear the testimony you give this committee will be the whole truth, and nothing but the truth, so help you God?

Mr. REDWINE. I do.

Mr. EVANS. Mr. Senator, may I apologize for interrupting and point out one other fact, if you will excuse me, Mr. Redwine. These truckers that we referred to might own the truck, the fellow on it might own it or a fellow in Cairo might, or a bootlegger down South might own it.

In any event, unless they are hauling for themselves, as I understand the Interstate Commerce Act, they are required to have proper authority from the ICC, and if any one of them ever got it, I never heard about it. I think I am safe in saying they never did, and therein is another violation of Federal law.

The CHAIRMAN. All right, sir.

Mr. BURLING. Mr. Redwine, will you state your title, please?

**TESTIMONY OF CHARLES D. REDWINE, REVENUE COMMISSIONER,
STATE OF GEORGIA**

Mr. REDWINE. I am revenue commissioner of the State of Georgia.

Mr. BURLING. And what is the situation in Georgia with respect to liquor controls? Is it dry or wet or by local option?

Mr. REDWINE. It is a local option State.

Mr. BURLING. By counties?

Mr. REDWINE. By counties, on the vote of the people.

Mr. BURLING. And what is the situation? How many counties are wet and how many are dry?

Mr. REDWINE. We have 159 counties in Georgia. One hundred and thirty are dry. Twenty-nine are wet.

Mr. BURLING. And do you have a problem similar to that which was discussed by Mr. Evans?

Mr. REDWINE. I do.

Mr. BURLING. Do you want to tell us briefly about it, and what you are doing about it and what you think should be done about it, if anything, by way of Federal legislation?

Mr. REDWINE. I assumed my present duties about the middle of November 1948. I found a very bad condition existing in my State at that time with reference to violation of the liquor laws.

Being a new official, it naturally took me some time to become fully acquainted with the situation. When I did, I found that a great deal of liquor was coming into our State in violation of the law, and with your permission I would be glad to state at this time the method and the only legal method by which it legally can come into the State.

The CHAIRMAN. You just tell all about it in your own language and then we will ask questions, Mr. Redwine.

Mr. REDWINE. The State owns warehouses, operates the warehouses. The distillers must have a permit to ship liquor into my State, from my department, and it can be transported only by common carrier, that is, rail or bonded bus line, and it is a violation for any carrier to deliver liquor other than to a State warehouse. It is delivered from the State warehouse to the wholesale distributor.

The tax and warehouse charges are collected on this liquor at the warehouse, and it is a violation of law for a distributor to sell other than to a licensed retailer.

In other words, it is illegal for liquor to be sold in Georgia except in counties that have voted wet by a majority of the people, and if

the laws are followed it is impossible for any consumer to buy more than 2 quarts from any retailer within 24 hours.

The problem we have had is with the 130 dry counties being flooded with liquor, and I might add some of the wet counties have been flooded with liquor from out-of-State shipments, wholly in violation of our laws.

The first effort I made was made at the suggestion of Commissioner Winston of North Carolina and Commissioner Evans of Tennessee, at which a meeting was called in Atlanta a little more than a year ago, and I believe 12 or 13 States were represented by the proper officials at that meeting, and we all found that we had a common problem in these interstate shipments wholly in violation of the laws of the State.

At that meeting where the chairman of the alcoholic control board, Judge Taylor, of Illinois, and he agreed to give us a copy or information as to the amount of liquor that was being shipped out of Cairo, Ill., into the various States.

From August the 1st, 1949, to February the 12th, 1950, on information that I hold in my hand, furnished to me by that department, it is disclosed that there were 30,043 cases of liquor shipped into Georgia.

MR. BURLING. From Cairo, Ill.?

MR. REDWINE. From Cairo, Ill., by J. B. Wenger. The amount of taxes that the State of Georgia lost on that liquor was \$450,645.

MR. BURLING. Will you state once more the source of this information?

MR. REDWINE. It was furnished my office by the Department of Liquor and Cigarette Revenue Division of the State of Illinois.

MR. BURLING. Will you state whether any official of the State of Illinois has advised you that that State has done anything about Mr. Wenger?

THE CHAIRMAN. Just a minute. First, Mr. Taylor is a Federal man?

MR. REDWINE. Judge Taylor is the head of the State board of alcoholic control, and in conformity with the agreement he made at the Atlanta meeting, he furnished me this information. It was mailed to my office.

MR. BURLING. Have you been furnished, sir, with any information that the State of Illinois has taken any action with respect to this?

MR. REDWINE. I have not. I believe Mr. Evans will bear me out in the statement that he said he was powerless to do anything, that they had an export law, at the Atlanta meeting.

MR. EVANS. That is correct. That was his first statement.

MR. REDWINE. The first statement he made.

MR. BURLING. Was any Federal official present at this meeting?

MR. REDWINE. Yes.

MR. BURLING. Will you name him and state his title?

MR. REDWINE. Mr. Malsie, of the ATU unit of Atlanta, and Mr. Tydings of the ATU.

THE CHAIRMAN. Give the first names if you will.

MR. REDWINE. I am sorry; I do not know. They are in charge of the Alcohol Tax Unit of the Atlanta office, and Mr. Conerty, he is from Chicago.

MR. BURLING. He is also at the ATU?

MR. REDWINE. I invited the officials of the ATU office to be present, Atlanta ATU officials to be present at this meeting, and

on the morning of the Atlanta meeting they advised me that Mr. Conerty of Chicago, who is head of the Atlanta district, happened to be coming through town on his way to Florida and he would be glad to be present if there was no objection, and I told him that we, of course, would be delighted to have him.

Senator TOBEY. Mr. Redwine, do I understand that all this liquor in the State of Georgia has to go into State warehouses?

Mr. REDWINE. That is right.

Senator TOBEY. So it comes in there en masse and goes out in different shipments, is that right?

Mr. REDWINE. It comes in en masse and goes out to the wholesalers, usually on trucks, Senator.

Senator TOBEY. And the State controls the warehouse?

Mr. REDWINE. The State is in control of the warehouse.

Senator TOBEY. And they get the liquor out of there. If I get 500 cases in there, I have got to get a release from the State warehouse?

Mr. REDWINE. Yes, sir. You must pay your tax and get a release.

Senator TOBEY. And can I ship it then into a dry State?

Mr. REDWINE. No, sir.

Senator TOBEY. But it is shipped into dry counties, is it?

Mr. REDWINE. Not from my State. There is very little. It is not shipped out of the warehouse into any dry county, no, sir. Very little of it goes from the wholesaler into dry counties at this time. It so happens that I revoked about 15 of the biggest dealers in Georgia and I stopped that practice.

Senator TOBEY. Then this liquor that floods the dry counties that you tell about never goes near the warehouse, does it?

Mr. REDWINE. Never goes near the warehouse.

Senator TOBEY. A secret operation?

Mr. REDWINE. It is coming out of Cairo, Ill., and Louisiana, Senator, most of it.

The CHAIRMAN. What was that from August 1, 1949, to February 12, 1950, the State of Georgia lost?

Mr. REDWINE. \$450,645 would have been collected on that liquor had it legally gone through the warehouse.

The CHAIRMAN. That is about at the rate of \$1 million a year, is it?

Mr. REDWINE. Yes, sir.

Senator TOBEY. Is this a fair statement, sir? It is also illegal in dry counties to possess or transport?

Mr. REDWINE. That is true. Pardon me, it is illegal to possess more than one quart. It is legal to possess one quart.

Senator TOBEY. But I mean in quantities?

Mr. REDWINE. Of liquor with the Federal and State tax paid on it in a dry county.

Senator TOBEY. But nobody gets this tax. Much of the money goes for the expense of violating the law; is that right?

Mr. REDWINE. I would presume that to be true.

The CHAIRMAN. You only read the figures from one company. How about other companies?

Mr. REDWINE. Now, I have here the M. & B. Wholesale Liquor Co., who started their first shipment into Georgia on July 26, 1950, and the last shipment seems to be on September 2.

Senator TOBEY. What do you, as an official, think can be done to effectively stop this practice?

Mr. REDWINE. I think that the Federal Government, instead of considering a State wet, when one county in the State is wet, should protect the dry area in a State that is dry and only permit wet counties to receive liquor legally.

I think that a great forward step would be made if the Federal Government would provide some method whereby—it only took \$27.50, a fictitious name and a false address to get an RLD stamp. That protection, they say it is not a license. They insist to me it is not a license, but to all intents and purposes it is a license.

It serves the purpose of a license because a man possessing or owning one of those stamps, regardless of whether he is a real or a fictitious person, regardless of whether he lives in Memphis, Tenn., or some place that he gives as his address in Georgia, is under the protection so far as seizure or any effort on the part of the Federal Government to stop that flow of liquor.

Senator TOBEY. Well, then to put it to the lowest terms, the issuance of these stamps aids and abets the interests of the country who want to do business in illegal sections?

Mr. REDWINE. That is right.

Senator TOBEY. To break down the law; is that right?

Mr. REDWINE. That is right. I have on the list furnished me by the Alcohol Control Unit of Illinois names and addresses of any number of people in small cities in Georgia, that no such person lives there or has ever lived there nor is there any such street address in that town as given by that person.

Senator TOBEY. Well, who would you point your finger at as the interests most guilty of contributing to the breakdown of the dry sections of the State of Georgia by allowing liquor? Who is the guilty person, in your judgment?

Mr. REDWINE. Well, I would not single out any guilty person. I think it is a question of probably a system that ought to be corrected. I have been astounded, Senator, to find a number of Congressmen from my State that I have talked with did not even know that such condition as this existed.

Senator TOBEY. See no evil; speak no evil; hear no evil; is that it?

Mr. REDWINE. Beg pardon?

Senator TOBEY. See no evil; speak no evil; hear no evil.

Mr. REDWINE. Well, the ATU unit advises us that under the law they have to issue these. We refer to them as licenses in the South. They call them RLD stamps, and as I said, they serve all the purpose of a license, whatever you call it.

I have any number of names here in little towns. Senator Russell's home town, Mr. Evans referred to it as "Wender," Ga. It is Winder, Ga. This man, D. R. Senter, that he referred to in his testimony who stayed in Cairo, Ill., gave his address at 200 Broad Street, Winder, Ga. It is a small city where everybody knows everybody. D. R. Senter was never heard of in Winder, Ga. There is no such address in Winder, Ga., as he gives. There is no such street nor address. Yet he holds an RLD stamp as a citizen of Winder, Ga.

Senator TOBEY. Hold that. What I said in the other room I think is pertinent. Tell me if it is not. If to get that RLD stamp they

had to make affidavit they were the person named in the application for the stamp, that the liquor was to be shipped to only places that had voted wet, and that it was not going to break a law in any sense or they will be held responsible and accept guilt and summons if it was, with full understanding of the law in the affidavit, wouldn't you have them by the neck?

Mr. REDWINE. I think the United States Government would have them in strict violation of the law.

Senator TOBEY. Why do you not do it then?

Mr. REDWINE. What we are asking you to do is do it. We cannot get jurisdiction. He lives in Cairo, Ill. He does not live in Georgia. He probably did not make an affidavit in Georgia. I do not know. They say it does not even require an affidavit.

Senator TOBEY. That modus operandi you speak of would make it kind of difficult.

Mr. REDWINE. If the Federal Congress we are speaking of would do that, it would make it very difficult. I think it would be most helpful.

Senator, if you ask for my opinion, the Federal Government through enactment of Congress, if it is necessary, should require a man that they issue a stamp to—and you know these people, they say it is not necessary to have one to buy liquor, but my information is they require them to have one in order to shield and protect themselves, and a copy of the original invoices that they send me gives his RLD number, and I think that he should be identified, and I think if we had the identity of that man—and I still think further, I do not know whether it is possible but I do not think the Federal Government ought to issue a man a license to sell liquor in a dry county. I think they ought to go that far.

Senator TOBEY. That ought to be elementary. The tragic part is it is not.

Mr. REDWINE. What we are asking you to do is to do that thing. That is the appeal we are making to you.

Now we were talking about Mr. Senter. It was called to your attention a few minutes ago—I have photostatic copies I would be glad to show you across the table there of Mr. D. R. Senter. That is the man who gave his address as Winder, Ga., 200 Broad Street.

Senator TOBEY. What is his real name?

Mr. REDWINE. His name is Senter. He is the man who was hired by J. B. Wenger.

Senator TOBEY. And he gave the wrong address?

Mr. REDWINE. He lived in Cairo, Ill.

Senator TOBEY. If the application required him to give the right address on penalty of crime punishable by imprisonment, he would be very careful not to do it.

Mr. REDWINE. I think he would.

Senator TOBEY. In other words, we know how to do it but we do not want to do it; is that it?

Mr. REDWINE. I do not know. I hope you want to do it. I hope when you find out what the condition is in the South that you will want to do it.

Now that man there was paid \$100 a week to stay in Wenger's store, according to his own testimony that was quoted to you a few minutes

ago by Mr. Evans, to sign those receipts which exempted that liquor from Illinois tax. He said it was being exported.

The CHAIRMAN. In other words, Mr. Senter never came from Georgia in the first place.

Mr. REDWINE. Never been there. He was an employee of J. B. Wenger according to his own testimony. I believe that is correct.

Mr. EVANS. Yes.

Mr. REDWINE. Working in Wenger's warehouse and signing those receipts to exempt that liquor from the Illinois tax, and if you will just look a little further there you will find he signed those invoices there in December and they were witnessed by a notary public in Atlanta on April 5.

Senator TOBEY. So Mr. Senter lied, did he not?

Mr. REDWINE. If he swore that—and I am informed by Mr. Evans that he did—yes. I do not know what he said on his RLD stamp application, but I think he lied; yes, sir.

Senator TOBEY. Doesn't that bother him to tell a lie?

Mr. REDWINE. Well, I imagine it would almost run him crazy, the type of man he is. I imagine his conscience would keep him awake at night.

The CHAIRMAN. Do you know where he got his RLD license?

Mr. REDWINE. No, sir; I do not.

The CHAIRMAN. He may have paid it at Louisville or Cairo or somewhere else?

Mr. EVANS. Senator, I think the record shows he got it in Atlanta, made a trip down there to get it.

Mr. REDWINE. I will check the record on it.

The CHAIRMAN. Can we have some of these for our files?

Mr. REDWINE. If you would give me permission later on to withdraw them. That is my permanent file. I would be glad to assist you in any way I can, Senator.

Senator TOBEY. Do you know Mr. Senter personally?

Mr. REDWINE. Never saw him.

Senator TOBEY. Is Mr. Senter in the room?

(No response.)

The CHAIRMAN. We will photostat and return this to you.

(Exhibit No. 19 was returned to the witness after analysis by the committee.)

Mr. REDWINE. That would be fine. I will be delighted.

The CHAIRMAN. All right, let us go on. You were talking about the M. & B. Co. began business in July 1950 and lasted until September. What did they do?

Mr. REDWINE. They sent 2,064 cases into Georgia in just a little over a month upon which the tax would have been \$30,960 had it gone through the State warehouse and paid the proper taxes.

The CHAIRMAN. How much do you estimate from all people that are coming into Georgia untaxed?

Mr. REDWINE. That of course would be an estimate, Senator. I asked the legislature in order to help me stop this tremendous flow of liquor for an extra appropriation. I have put on 100 enforcement officers in my State. We captured and confiscated a great deal of this liquor on the roads.

Louisiana was cooperating with me and I even kept men in the export towns of Louisiana, and we checked the head of these boys and

we confiscated quite a bit of liquor, and according to the records the flow in Georgia has been stopped pretty largely, but I do not think the record speaks the truth.

We got so hard in behind these bootleggers that they went to invoicing the liquor to other States, North Carolina and South Carolina, and we had no point of beginning to chase them to stop them out of Georgia. This was going on the basis of \$1,000,000 a year, and in my opinion it will be double that if we knew the full truth. I think they are swindling my State.

The CHAIRMAN. You mean the tax you are losing?

Mr. REDWINE. My estimate is we are losing a minimum of \$2,000,000 a year on bootleg taxes.

Senator TOBEY. That would help pay the school teachers, would it not?

Mr. REDWINE. Yes, sir, and it would. Senator, do more than that, and a finer thing than that. It would break up racketeering and gangsters that we have never known much about until this thing started. They are infesting us. I think that is infinitely worse than selling liquor.

Mr. BURLING. Going back briefly to the Atlanta conference, I think the people who were present from the ATU were Mr. Donald S. Tydings?

Mr. REDWINE. That is right.

Mr. BURLING. Mr. W. G. Malsie?

Mr. REDWINE. That is right.

Mr. BURLING. And Mr. Dan J. Conerty, is that correct, sir?

Mr. REDWINE. Yes.

Mr. BURLING. Was anything said by anybody present about Mr. Wenger who was at that time shipping all this liquor into Georgia?

Mr. REDWINE. There was.

Mr. BURLING. Will you state what was said and who said it?

Mr. REDWINE. Mr. Conerty made the statement in an address just before the meeting closed, that he thought probably we had the wrong impression of Mr. Wenger, that he is just a good American citizen, a human being just like the balance of us were, and that he thought probably we had the wrong impression. That is from my recollection, and I would be glad for Mr. Winston and Mr. Evans—they were present. Am I correct in that statement?

Mr. EVANS. The substance of it.

Mr. REDWINE. I know Mr. Evans immediately challenged this statement, asked him if he thought a man who was violating the law or flooding the Southern States with liquor, as Wenger was, if he considered him a good citizen.

Senator TOBEY. What did he say?

Mr. REDWINE. Well, to be frank with you, Senator, the meeting got pretty warm at that point and I do not know if he had anything to say. There was a number joined in the discussion, as southerners will do, agreeing with Mr. Evans on his challenge of his statement about Mr. Wenger.

The CHAIRMAN. Where is this Mr. Conerty from?

Mr. REDWINE. Chicago. He is the head of the Chicago ATU or was at that time, and Atlanta is in that district.

Mr. BURLING. And so is Cairo; is that correct?

Mr. REDWINE. Yes; Cairo is in Illinois.

The CHAIRMAN. Is he still in the Federal service?

Mr. REDWINE. My information is that he is.

Mr. BURLING. When you said Atlanta was in the district, that was a slip, was it not? You mean Cairo?

Mr. REDWINE. Malsie and Donald S. Tydings are under that office. That is the information I have. That is what they tell me. My information was gained from them.

Mr. BURLING. Did you get any explanation as to why a high official of the Federal Alcohol Tax Unit should say that Wenger, who was one of the largest sellers of unlawful alcohol, unlawful liquor in the country, was a good American citizen?

Mr. REDWINE. He did not give any reason why. He just said he was a human being and good American citizen, thought we had him wrong.

Senator TOBEY. That would let us out of a lot of things, just saying we are human beings.

Mr. REDWINE. And a good American citizen, and he thought we had the wrong opinion of him.

Senator TOBEY. What is his name; Conerty?

Mr. REDWINE. Yes.

Senator TOBEY. Let us have him down here and see his definition of a good American citizen.

Mr. REDWINE. I beg your pardon?

Senator TOBEY. I think we had better have him down here to have a dress rehearsal of this thing.

Mr. REDWINE. You have the power to bring him, I don't, but I think that there would be probably 12 or 15 men that would verify the statement that I made, that that is substantially what he said. I know he used the words "good American citizen" and he was immediately challenged when he made the statement.

The CHAIRMAN. You said that, Mr. Evans said that is what he said. Who else?

Mr. REDWINE. Mr. Winston over there of North Carolina, and Mr. Andrews, I believe, was there.

The CHAIRMAN. Is that what he said, Mr. Winston?

Mr. WINSTON. Yes, sir; that is what I understood him to say.

Mr. REDWINE. Mr. Andrews was there. Mr. Hewitt was there from Missouri. Judge Hewitt over there from Missouri was present.

Mr. WINSTON. He got up and said he was a good citizen.

Senator TOBEY. There is an amazing thing to one member of the committee. The record seems to be fairly good and exhaustive, and then we find that one of the Alcoholic Tax Units stands up and defends these gentlemen as good American citizens. You wonder where you can turn for help if you cannot turn to the Government agencies who are specifically charged with enforcing the law.

The CHAIRMAN. Mr. Avis, where is Mr. Conerty?

Mr. AVIS. He is the deputy supervisor in Chicago, and I would like an opportunity to address myself to this situation when the time comes, if I may.

The CHAIRMAN. Yes, sir; you will be given an opportunity.

Mr. REDWINE. I have a copy of the minutes, not a detailed copy of the minutes, at that Atlantic meeting.

The CHAIRMAN. That will be filed as an exhibit to the record.

(Exhibit No. 20 is on file with the committee.)

Mr. REDWINE. I did not quote him verbatim, but there was a copy of a resolution adopted following his speech at that meeting.

Mr. BURLING. Mr. Chairman, I think in fairness to the Alcoholic Tax Unit and to Mr. Conerty, I should say that your committee's staff only learned of this incident last night at which time it was too late to get Mr. Conerty here.

The CHAIRMAN. Let us advise Mr. Conerty as to what has been said, and we will talk to Mr. Avis to see if we cannot give him a chance to be heard.

Mr. AVIS. I would certainly like an opportunity to be heard on the over-all situation, and with particular reference to this.

The CHAIRMAN. I think it might be well for you to call Mr. Conerty in if you can get him in, Mr. Avis. This does not look very good for him.

Mr. AVIS. Perhaps you want to hear my explanation of it first, Senator.

The CHAIRMAN. Yes, sir; we will.

Mr. AVIS. It is subject to your pleasure.

The CHAIRMAN. All right, Mr. Avis. Everybody says you have been quite cooperative in the matter. We certainly expect to hear from you today.

Mr. AVIS. I certainly want to be heard.

The CHAIRMAN. All right. Anything else, Mr. Redwine?

Mr. REDWINE. I know of nothing else unless there is something the committee would want to ask me about.

Mr. BURLING. I have no further questions. Mr. Evans suggests that I ask you this. It is correct, is it not, that you joined with other commissioners from Southern States in trying to get the distillers to police their own actions?

Mr. REDWINE. Oh, yes. I have called their attention to it by letter and to their representatives personally, and I was present at a meeting at Asheville when the group that controlled practically the largest amount of liquor in the United States was present, and we begged them to put it in ordinary language to stop supplying these houses that were flooding these Southern States with liquor illegally.

Mr. BURLING. When was this?

Mr. REDWINE. I believe it was in June 1950.

The CHAIRMAN. Well, we pleaded with them here in November 1950, and they have not paid any attention to either of us, have they?

Mr. REDWINE. No, sir. They asked us to just not make them tell us that they would not do it, that they might become involved in the question of the antitrust laws, but said, "Leave it to us and you will see the results."

The CHAIRMAN. All right, thank you very much, Mr. Redwine. We appreciate your coming here.

Mr. REDWINE. Thank you, sir. It is a pleasure for me to come. I certainly think we need some help in the South from this vicious system that is being carried on.

The CHAIRMAN. I want to ask one further question. I do not want you to go into too much detail, but in answer to Senator Tobey's question, when he asked you if this would not have meant \$2,000,000 more for school teachers, you said that was important but even more important was that if this could be stopped it would eliminate rack-

eteering which went along with this illegal industry. What do you mean by that?

Mr. REDWINE. I mean the breaking down of the legal system, and when you have a number of people who are willing to openly, flagrantly violate your laws for the sake of making money, it is bad, and I think that is a system that if it is not discontinued and stopped, will continue to grow and grow until it becomes intolerable.

The CHAIRMAN. You mean, in other words, that law violations for one purpose brings about law violations for other purposes?

Mr. REDWINE. That is right, and breaks down the system of free government.

Senator TOBEY. Breaks down the moral fiber of the country.

Mr. REDWINE. That is right. If you will pardon me for this statement, I have sent one of my men to Cairo, Ill. I am sure Mr. Evans can witness that. They tell me that the automobiles carry sawed-off shotguns and machine guns, and if a stranger goes in that town and does not identify himself, he is going to be in jail in short order, and my man, Mr. L. H. Crawford, went up with an official of the State of Illinois to get a photostatic copy of the papers that I have just filed with you, and he said that he got out of town in a hurry. He was covered by the time he hit town and he was glad to leave, and he tells me he would not go back there, I could not force him to go back.

That is the system that I am talking about. That is the condition, and I think the continued wholesale violation of the liquor law will bring it into our State, and I hope that I can be a part in breaking it up and stopping it.

The CHAIRMAN. Also it means, I suppose, that it is corruption of public officials, and if they are corrupted for one purpose, they are easy prey for other purposes.

Mr. REDWINE. The grand jury of Fulton County, of which Atlanta is the county seat, 2 weeks ago brought out presentment against this corrupt system and said that they had gone to the point of building up a financial empire for the purpose of electing officials.

Senator TOBEY. And were there any indictments under that grand jury's report?

Mr. REDWINE. They have not. They asked the preceding grand jury to continue the investigation. They said they had not completed it.

The CHAIRMAN. Would it be of any assistance to you in your effort if these consignees were put into our record as an exhibit to this testimony? Is the use of their names privileged?

Mr. REDWINE. No, sir; they are not privileged. I would be glad to furnish them to you. I would like the same reservation. They are my records. I will be glad to let you photostat them and mail them back to me in my office in Atlanta.

The CHAIRMAN. I think it should be understood a big part of them are false; is that correct?

Mr. REDWINE. I would not say the big part of them. The addresses are false. Pearson, the man that you tried, wasn't it, he gave his address in there. His brother is under a 5-year penitentiary sentence from Nashville. No, Pearson has never lived there. There are some of them that are not false, but many of them are.

The CHAIRMAN. We do not want to take any chance on hurting any innocent person.

Mr. REDWINE. I do not think it would hurt any innocent person.

The CHAIRMAN. Do you suppose John Jones might have used the name of somebody who was innocent and did not know anything about it, and these addresses?

Mr. REDWINE. No, sir. No innocent person in Georgia would object to your publishing it if they were innocent.

One address has been given on a RLD stamp in Georgia that is the home address of a very high State official. He did not give his name but he gave his residence address and street. You will not have anything like that. Those are very narrowed lists there.

The CHAIRMAN. We will make them a part of our exhibits and we will discuss the matter of releasing them.

(Identified as exhibit No. 21, and returned to witness.)

Mr. REDWINE. I would be glad if you would make photostatic copies and return them, because they are my permanent records in my office.

The CHAIRMAN. We will do that. We have facilities to do that. Thank you, Mr. Redwine.

Mr. Hewitt wants to get out of town, I believe. Suppose you come around very briefly, Mr. Hewitt. Mr. Hewitt, do you swear the testimony you give this committee will be the whole truth, and nothing but the truth, so help you God?

Mr. HEWITT. I do.

Mr. BURLING. Will you give your full name and your title, please.

TESTIMONY OF COVELL R. HEWITT, SUPERVISOR OF LIQUOR CONTROL, STATE OF MISSOURI

Mr. HEWITT. Covell R. Hewitt, supervisor of liquor control of the State of Missouri.

Mr. BURLING. All the counties of Missouri are wet?

Mr. HEWITT. It is a wet State; yes.

Mr. BURLING. You do have a problem, do you not, with relation to the transportation through Missouri of liquor into States which are dry?

Mr. HEWITT. My State is a wet State. We do not have local option. It is a license State, it is not a monopoly State, that is operated by the State. It is operated by private individuals.

I met with these various southeastern administrators two or three times trying to get at the heart of this problem of the supplying of liquor to dry counties in the Southeastern States and the transportation of intoxicating liquors across the State of Missouri against the law, against the laws of our State. I am heartily in sympathy with these gentlemen from the Southeastern States in their problem. They have a tremendous problem, and their problem all stems from one place, and that one place is Cairo, Ill.

There are two wholesalers over there that supply 90 percent, in my judgment, of the illegal liquor that goes into the Southern States. It is not illegal in the sense that it is made illegally. It is liquor that is legally made and becomes illegal liquor when it touches these wholesale houses and they distribute it to the Southern States.

Senator TOBEX. And the sale of which sets the laws of the State at variance; does it not?

Mr. HEWITT. Yes, it does. My problem over there is the transportation of liquor across into Oklahoma. Oklahoma is the only totally dry State, I say legally dry State, but it is a very, very wet State.

Mr. BURLING. May I interrupt you a moment, sir. Isn't the State of Mississippi theoretically bone dry, also?

Mr. HEWITT. Theoretically, yes. They have what they call down there a black-market tax. It is dry, but yet there is a statute down there that permits the revenue officers to collect what they call a black-market tax, and that is collected by the sheriffs, and I have been told that it does not all get into the State treasury.

Senator TOBEY. Then you have the law in Mississippi which is a dry State?

Mr. HEWITT. Yes.

Senator TOBEY. And yet you say that it permits certain officials to accept a tax and let it come in: is that it?

Mr. HEWITT. Yes, that is right, under the statute. I am not from Mississippi; you understand that.

Senator TOBEY. Yes; I understand.

Mr. HEWITT. They do do that. I do not know what kind of a system it is, but they do that down there. They collect a black-market tax on unlawful whisky coming in there.

Senator TOBEY. So that the agents of the State of Mississippi operate a black-market tax and create a black market and aid and abet a black market which is illegal.

Mr. HEWITT. Yes. It is an intolerable situation down there.

Mr. BURLING. Is this correct, sir, that the law in Mississippi is, first, that liquor may not be sold in the State, and, second, that a tax shall be levied on the sale of goods, the sale of which is otherwise prohibited by Mississippi law?

Mr. HEWITT. That is correct. I am not too well acquainted with it.

Mr. BURLING. Is that approximately it according to your understanding?

Mr. HEWITT. Yes, that is right. That is approximately right.

Senator TOBEY. Here we have got a Southern State that prohibits a thing, whatever it may be, in this case it is liquor, and yet it has the duly constituted authority to issue black-market authorities upon the receipt of a tax to nullify the State law, is that right?

Mr. HEWITT. That is the way I understand it, and I think it is right because I had a call from an official of the State of Mississippi. My agent seized \$15,000 worth of intoxicating liquors going to a man by the name of Muse in Mississippi some place, N. A. Muse, Jackson, Miss., a person who represented himself to be an official called me and said, "Why don't you turn that whisky loose that you have seized up in Missouri, because he is one of the honest bootleggers?"

Senator TOBEY. That is an anomaly, isn't it?

Mr. HEWITT. Well, yes, I thought so. It was a ludicrous situation to me. They wanted me to turn him loose because he is one of the fellows that is honest with us and he paid that 10-percent tax. Am I right, Mr. Evans?

Mr. EVANS. I did not hear the conversation, but the general situation on Mississippi is that, as I understand it. I would like to point out this. I do not know whether you realize what you said, and you ought to have an opportunity to correct it.

The State officials under the State, there is a set-up of a section which collects the black-market tax. The word "whisky" is not mentioned in that law.

That State section and the officials in it have nothing to do with the enforcement of the bone-dry law. That is a matter, as I understand it, that is left to the local sheriffs and also to the highway patrols.

Senator TOBEY. They are all agents of the sovereign State of Mississippi, so you have on the one hand holding up the symbol and saying "Thou shalt not pass," and the other one saying, "For quid pro quo come in and play the game," is that right?

Mr. EVANS. That is right, sir. You made a statement, and as I understood what you said, you said those black-market administrative officials did not turn in all of it or the State did not get all the tax. I do not know whether you want to clarify that or not.

Mr. HEWITT. No, no. We are getting too far away from Missouri, I think.

Mr. EVANS. In fairness to you, I want to bring it up.

The CHAIRMAN. Let us get to Missouri.

Mr. HEWITT. The problem in Missouri is the transportation of intoxicating liquors into the State of Oklahoma. Now we have a transporter's-permit law in the State of Missouri which says that you cannot transport liquor across the State of Missouri without a permit issued by the supervisor of liquor control.

Now, I do not issue any permits to Oklahoma, because I know that all the people that transport liquor into Oklahoma are bootleggers, and it keeps 10 or 12 of my agents busy guarding the Mississippi River to prevent these Cairo fellows and their stooges from transporting liquor through my State into Oklahoma. It ties up my agents to do that. I stop loads all the time.

The other day not too long ago we stopped a load of \$17,000 worth of whisky in a big van that was going to F. S. Moody, at St. Louis, Okla. That is 368 cases of whisky. There are only 394 people in the city of St. Louis, Okla., and that just shows how ridiculous this situation is.

Senator TOBEY. You say there are only 394 people in St. Louis, Okla.?

Mr. HEWITT. That is right; 394.

Senator TOBEY. It is not a city, then, is it?

Mr. HEWITT. Just a little village.

The CHAIRMAN. How many cases were shipped into there?

Mr. HEWITT. Three hundred sixty-eight cases at one load in a town of 394 people.

Senator TOBEY. That is a case per person almost.

Mr. HEWITT. That is right.

Senator TOBEY. Men, women, and children.

Mr. HEWITT. Yes; that is right. These names in Oklahoma, I will not say they are fictitious, but they all are bootleggers, all of these shipments that are made down there. I have a complete list here of all the bootleggers, I think, almost a complete list of all the bootleggers in the State of Oklahoma.

Now, I get lists from the Department of Revenue of the State of Illinois of shipments made to the State of Oklahoma. None of the liquor that is shipped has any Illinois taxes on it.

Illinois does not exact any tax against these importers and distributors, notwithstanding the attorney general, I think, of Illinois has said that these export houses are operating illegally. The attorney general says that in an opinion.

The CHAIRMAN. Do you have any objection to making this list an exhibit to your testimony? Let us photostat it and send it back to you.

(Exhibit No. 22, returned to witness.)

Mr. HEWITT. I can list them all off for you. I believe I could do that. However, you can get it from the department of revenue from the State of Illinois. I will be glad to supply it to you.

The CHAIRMAN. All right; if you will supply it, it will be made a part of the record as an exhibit to your testimony.

Mr. HEWITT. Thank you, sir.

Now, all of these people that get this liquor in Oklahoma, they have RLD stamps and WLD stamps. A WLD is a wholesaler. That has been gone into by the various men here. Oklahoma, I think, is seventh in the Union in the number of RLD stamps, wholesaler stamps that are sold in the United States.

Now, they use that as a color of authority over in Cairo. It is just a tax. It is not a license at all, but they put that on there, Mr. Southern Wholesaler puts that up here, WLD, 2551, Wholesale Liquor Dealer. That goes on every one of his shipments. It is not a license at all. If there are any questions that you want to ask me about this situation—we seize loads all the time. We seized a load the other night.

Senator TOBEY. What do you do with the whisky you seize?

Mr. HEWITT. We confiscate it. We bring a suit in the circuit court of the county where it is seized and publish a notice that we have seized it, and then if nobody claims it, we sell it. If anybody claims it—they do not come in and claim it any more, much, because we have been successful in every suit.

Senator TOBEY. Then what do you do with it?

Mr. HEWITT. We sell it at public sale and put the money in the State treasury.

Senator TOBEY. You sell it where? Where do you sell it?

Mr. HEWITT. In the county, as a rule, where the seizure is made. We send out notices.

Senator TOBEY. Supposing that that is a county which is a dry county?

Mr. HEWITT. We do not have any dry counties in Missouri. Our State is totally wet.

The CHAIRMAN. Can you, sir, give us any estimate of the amount of liquor that is shipped into the State of Oklahoma during any given period, according to the records you have, that is, from these two wholesalers?

Mr. HEWITT. It is indicated in the reports of the Illinois Department of Revenue—I would not know how to estimate it. The operation over in those two places I would think would run ten or fifteen, maybe \$20 million a year at those two places in Cairo, Ill.

The CHAIRMAN. You mean into Oklahoma?

Mr. HEWITT. No, I mean all over the Southeast, including Oklahoma.

Senator TOBEY. These large concerns—can anybody around the table answer—in Cairo that do the bulk of this selling, are they rep-

representatives of any larger brewer interests who dominate them, or are they independent?

Mr. HEWITT. They do not sell beer.

Senator TOBEY. No, no, liquor.

Mr. AVIS. Am I supposed to answer that? I purposely stayed out of it. I would say that maybe they might have one or two minor lines, but generally speaking I would characterize it as a front operation.

Senator TOBEY. And who do they represent, for instance?

Mr. AVIS. I think they represent themselves.

Senator TOBEY. Who are the large liquor interests?

Mr. AVIS. These wholesalers. Let us get at it this way, Senator. Practically all the leading distillers and many of the small ones have wholesalers that represent their lines, and those wholesalers in Illinois then in turn sell to these two concerns which have been under discussion here this morning.

Senator TOBEY. And they probably have a monopoly of that business tied up to a certain group, a certain brand?

Mr. AVIS. I would not say that; no, Senator. This is just a convenient way of the so-called reputable wholesaler not dealing directly with this export traffic.

Senator TOBEY. Is there such a thing as a reputable wholesaler?

Mr. AVIS. I would say "Yes, sir; there is."

Senator TOBEY. I think there are.

Mr. AVIS. Yes, certainly. This is a legitimate business.

Senator TOBEY. I agree. The only illegitimate part is when they break the law by aiding and abetting sending it into dry States, and that brings up my point, Why do they not lean over backward to respect the law and get favor of the public toward the liquor dealers of this country?

Mr. AVIS. Senator, I would rather the distillers would make their own case out here. I would just prefer not to get into a discussion of that. I certainly do not want to be in the position of defending any action of theirs.

The CHAIRMAN. We have, I might say for the benefit of everyone here, following our meeting of November 8—we had some previous meetings, we had Mr. Avis and others of the Alcohol Tax Unit. Mr. Evans and others representing their States, and we had representatives of all of the big-time distillers in, and we voted to get together and submit a program as to how this matter could be handled.

We have the report, some instructions by the Alcohol Tax Unit to its agents, and a good many documents here which we are going to release, but in a good many respects it is not satisfactory, particularly from the viewpoint of the distillers.

Also, there is an obligation on the part of Congress, I think, to pass some laws. Some of the activities of the Alcohol Tax Unit have not been satisfactory, so that is the reason we are going further into the matter, and this committee, which has been working together, has been asked to give the matter further consideration and make a further report, which I think will be done, and Mr. Avis will discuss that later on this afternoon.

Senator TOBEY. Mr. Chairman, is it too Utopian to suggest that if these large distillers were brought in before this committee and told of this situation which has developed, which they may know already and doubtless do, and pointed out to them the anomaly of them aid-

ing and abetting men in a lower strata of business flooding these dry States with liquor which emanates from them originally, and get from them a pledge before a public hearing that they would see to it and set up the rules and regulations and make it absolutely impossible for anybody buying liquor from them—they must give an affidavit under penalty and fine, and so forth, pay tribute and be considered a fine if they did use this liquor to send it to places where it should not be sold.

Couldn't we get, if they were willing to do it, a response from the heads of this thing, the producers of liquor, to go before the American public and say, "We are clean as a hound's tooth and we are going to keep so. We are going to stop all this vermin underneath us from breaking down State or county laws." What do you think about that, Mr. Avis?

Mr. AVIS. Senator, this is a very complicated subject and I wish that you would hear me on all phases of it before you ask me that kind of question. I would just like to deal with it in its entirety.

Senator TOBEY. What do you think, Mr. Chairman?

The CHAIRMAN. Senator Tobey, I think it is a very splendid thing you suggest. During your campaign, when you could not be here, we did have such a meeting with all the principal distillers.

Senator TOBEY. How did they react?

The CHAIRMAN. Some were indifferent, some apparently wanted to do something about it, but it was rather difficult for one to do something about it unless they can all act as a unit.

The also have legal complications about getting in trouble with the Sherman Anti-Trust Act, and so forth and so on. The transcript of the hearing is here, and then this report that they have made is in response to this hearing. It is not satisfactory, and I think we are going to have to go back for another session.

We tried to impress them along the line that you suggested, that a big part of the burden was on them to clean their own house. Most of them said they agreed. Some of them were rather reluctant to go along with the idea. We will get to that with Mr. Avis.

Mr. EVANS. Mr. Chairman, on that same point the next witness is Mr. Winston. We had in mind having him testify as to our approach to the distillers at the distillers level in order to arrive at a Utopia at which we never arrived. I want to interject this comment with respect to the report of November 30 which you referred to that this committee made up.

While I was present and did discuss this with them, I would like for the record to show, and I want to make it plain, that their report is not one in which I concur. I do not know and it is not my understanding either that the ATU concurs in it. It is purely a distillers' report, and it was made up, however, in conference with us from time to time. Is that your position?

Mr. AVIS. Yes, it is, Mr. Evans, and I would like the record to show, as long as it has been raised, that we discussed our report with you, than you did see it in advance and it was more or less a combined viewpoint.

Mr. EVANS. Of the distillers.

Mr. AVIS. Yes, that is right.

Mr. EVANS. I want to make it plain I was there, but I did not and do not concur in their report.

Mr. AVIS. We made certain suggestion and you saw the report that we rendered, and as I understand you, you did concur in the report that we made, the Alcohol Tax Unit, not the distillers.

The CHAIRMAN. Just so we will get it on the record, the distillers' report is addressed to Mr. Carroll E. Meaney, Deputy Commissioner, November 30. That is the report in which Mr. Evans and Mr. Avis did not concur although you were there and the matter was discussed with you.

Mr. EVANS. That is correct.

The CHAIRMAN. The commissioner's report of Mr. Carroll E. Meaney is addressed to the chairman of this committee on December 7, 1950. That is the Alcohol Tax Unit report.

Mr. AVIS. That is right, and we stand on it.

The CHAIRMAN. And you stand on that report. Then the report was transmitted to the chairman of this committee by letter of December 7, 1950. That will be gone into this afternoon and we will get the reports out for public information, but let us get on with our witness.

Mr. BURLING. Mr. Chairman, I do think it should be shown in the record that some distillers sold directly to one or the other.

The CHAIRMAN. Mr. Hewitt, is there anything else you have there?

Mr. HEWITT. Relative to the transportation of liquor across the State of Missouri, I want to make it clear that these men in Oklahoma do not altogether transport their liquor across the State of Missouri. Some of them go across Missouri and some of them go across Arkansas and then go up as far as Iowa, I am informed, and come down that way, and they go up the Mississippi River as far as Hannibal, which is 300 miles north of Cairo, to get down into Oklahoma.

In other words, they go 600 miles out of their way to get across the State of Missouri or the State of Iowa.

Mr. BURLING. One last thing. Were you present at this conference in Atlanta where Mr. Conerty made a remark about Mr. Wenger?

Mr. HEWITT. Yes, I was there. I was invited there by these South-eastern State men.

Mr. BURLING. What is your recollection?

Mr. HEWITT. Well, we were drafting a resolution and Mr. Conerty was there from the Alcohol Tax Unit in Chicago, and we had been discussing our problems and Mr. Conerty, as well as I can remember—we were jumping on Mr. Rubin, Hyman Rubin, and Jake Rubin, and Mr. Wenger pretty hot and heavy. All of us had the same problems, and Mr. Conerty got up and said that, "I think you gentlemen have the wrong ideas about Mr. Wenger."

He led us to believe that he was a very high-type citizen and in a lawful and good business in Cairo. As to what his particular words were, I cannot remember, but he conveyed the idea to us that he was a good, law-abiding citizen of Cairo, Ill., of course, when we all knew, we thought we knew quite the contrary.

Senator TOBEY. With any of this liquor that is transported from Cairo into the dry counties of the various Southern States, do they use planes to do it?

Mr. HEWITT. Well, no, I do not know out of Cairo. I heard of that out of Louisiana at one time, but I have no evidence of that. It goes in big trucks, trucks that have no insignia on them, a lot of them.

Now I have seized two or three big truck loads; \$17,000 worth of whisky hurts a fellow pretty bad.

Senator TOBEY. Do you confiscate the truck also?

Mr. HEWITT. Yes, I did, but they get that away from us sometimes because it is always financed by some innocent person. They go into court and get the trucks away, but they have not been successful in getting any whisky away.

Senator TOBEY. That could always be cared for by the law being changed so that contraband liquor being seized, any agency who transported it was seized if guilty.

Mr. HEWITT. It could be. There is a lot of ways in which the situation could be helped. But now they are hauling it, they put overload springs on passenger cars. A Mercury car is a car that is used a great deal. They put what they call overload springs on it and they can haul \$3,000 worth of whisky in an ordinary passenger car. They lug this whisky. It does not go in cases.

It is wrapped up in what they call lugs for distribution to the bootleg trade. It is tied up in brown wrapping paper in the Cairo place of business and put in these cars so they can get lots of whisky in there. It is not in the cases. It is in lugs. That demonstrates to any sensible person that it is going into the bootleg trade.

Senator TOBEY. And it is in the back seat in the rear compartment?

Mr. HEWITT. They just fill it up, the trunk of the car they fill it in so it will not rattle, and then they build it up in the back seat.

Senator TOBEY. Of course there is no back-seat driving with that kind of a passenger, is there?

Mr. HEWITT. No; that is correct. Now that is the way they haul it now. A man just driving along, why, an agent can't tell whether he is a bootlegger or not. He has nothing to arouse his suspicion.

They use fake licenses. They have the wrong license on every car. They have a fake license. I have been running down licenses until I am black in the face down there trying to find out. Well, this fellow says he lost his license or it was a stolen license and all that. They never have the right license.

The CHAIRMAN. All right, anything else, Mr. Hewitt?

Mr. Hewitt, while you are on the stand, may I ask this: When we were in Kansas City we found that you had some wholesalers out there, Joe Di Giovanni, and also his brother. What is his first name? Vincent Di Giovanni, was it not?

Mr. HEWITT. I can't remember. That was a partnership and I revoked their licenses.

The CHAIRMAN. Have they been revoked?

Mr. HEWITT. Yes.

The CHAIRMAN. How does the matter stand now?

Mr. HEWITT. There has been a license issued to the two sons of the Di Giovannis, which is a corporation. There is a city license been issued and a State license been issued to the sons of the corporation.

The CHAIRMAN. You mean we just got the grown-ups out and sons took over?

Mr. HEWITT. They are much better types of citizens, in my estimation.

The CHAIRMAN. This Joe Di Giovanni first denied he had ever been arrested or convicted, and we found he had quite a criminal record, if you remember.

Mr. HEWITT. Yes. I filed, after your committee up there, Senator, a revocation order against this Midwest Distributors, Inc., and revoked their license and they took it to the circuit court of Jackson County, and my decision was affirmed.

The CHAIRMAN. Don't you think they are just operating to do a blind?

Mr. HEWITT. I do not, no. Under the law of Missouri I felt that I had to issue these licenses, the license to the new corporation.

The CHAIRMAN. Did they take over the same line?

Mr. HEWITT. I do not know anything about that.

The CHAIRMAN. I believe they had the exclusive agency for Seagrams.

Mr. HEWITT. I do not know about whether they had it exclusively. They did have the Seagram line.

The CHAIRMAN. Did you find out whether the fathers are putting up the money for their sons to operate?

Mr. HEWITT. They have executed notes to the fathers. The fathers are going to be entirely out of the business. I have the statement of the attorneys who represented them. That is a very reputable firm in Kansas City, that the fathers be clear out of the business entirely, will not even go to the place, will not have anything to do with it.

Now the city issued a license to them about 3 weeks before I issued a license to them—about 3 weeks before I issued a license.

The CHAIRMAN. Has a Federal license been issued, too?

Mr. HEWITT. No, it has not. As I understand it, a basic permit—I was informed by the Alcohol Tax Unit that the sons could operate under the old basic permit when they got their State and city license, they could operate under the basic permit that had been issued to the fathers.

The CHAIRMAN. Let me say, Mr. Hewitt, it looks like we are going to have a hard time getting the criminals out of this business if when we apprehend a fellow engaged in blackhand activities, a pair of the worst criminals we have had before this committee, if they simply turn their business over to their sons and continue on.

Mr. AVIS. I do not like to interrupt, Senator, but as long as the Federal permit has been brought into this thing, I would like the record to show that we have investigated the new application and contemplated denial. They asked for a hearing under the merits and it will go on before a hearing examiner on March 20.

The CHAIRMAN. Well, good for you. All right, that is all, Mr. Hewitt.

Now we are going to have Mr. Winston and then we will recess for lunch. Mr. Winston, do you solemnly swear the testimony you give the committee will be the whole truth, and nothing but the truth, so help you God?

Mr. WINSTON. I do.

Mr. BURLING. Mr. Winston, will you state your title, please?

TESTIMONY OF R. W. WINSTON, CHAIRMAN, NORTH CAROLINA ALCOHOLIC BEVERAGE CONTROL BOARD

Mr. WINSTON. Chairman of the North Carolina Alcoholic Beverage Control Board.

Mr. BURLING. And is North Carolina a local-option State?

Mr. WINSTON. Yes, sir.

Mr. BURLING. How many counties are wet and how many are dry?

Mr. WINSTON. Twenty-nine counties wet and seventy-one dry, but may I say that we have some municipalities also wet. There are four of those.

Mr. BURLING. You have been here this morning throughout the hearing and heard the other commissioners testify.

Mr. WINSTON. Yes, sir.

Mr. BURLING. Do you have a similar problem in North Carolina?

Mr. WINSTON. Yes, sir.

Mr. BURLING. That is, liquor which is federally tax paid floods into your State, into the dry counties?

Mr. WINSTON. Yes, sir.

Mr. BURLING. Do you have knowledge as to where an important part of that liquor comes from?

Mr. WINSTON. Yes, sir.

Mr. BURLING. Will you tell us what that is?

Mr. WINSTON. Cairo, Ill.

Mr. BURLING. These same export houses?

Mr. WINSTON. M. & B. Wholesalers.

Mr. BURLING. M. & B.?

Mr. WINSTON. Yes, sir.

Mr. BURLING. In general, your experience would be parallel to the men who have already testified?

Mr. WINSTON. Yes, sir.

Mr. BURLING. Was there a meeting with representatives of the major distillers which was held in your State?

Mr. WINSTON. Yes, sir. If the committee would permit me to, I could very briefly outline the steps that have been taken.

The CHAIRMAN. Yes, sir; you go on.

Mr. WINSTON. I do not want to take too much credit for it, but I believe I was sort of a pioneer in this thing, and I have been through the whole thing and I think I could acquaint the committee with various steps that have been taken, probably going a little bit further back than the gentlemen who have preceded me.

The CHAIRMAN. All right, sir.

Mr. WINSTON. I have written most of it out so that I could get it in proper shape. I think, Senator, I wrote you a letter outlining rather fully what had been done by me, but I will briefly review it here.

The CHAIRMAN. Yes, sir; we have your letter.

Mr. WINSTON. Upon taking office as chairman of the North Carolina ABC Board, news items featuring the enormous flow of illegal liquor into North Carolina appeared in the North Carolina press. I then and there announced my policy of doing all within my power to put a stop to this illegal practice. Most of the liquor was coming from the State of Maryland, the District of Columbia, and the State of Illinois. It occurred to me that to get at the problem from its source would be the best means of attack. I conferred with the American distillers—

The CHAIRMAN. Tell us when you took office, Mr. Winston.

Mr. WINSTON. June 1944.

The CHAIRMAN. All right, go ahead. Excuse me.

Mr. WINSTON. I conferred with the American distillers in their own offices soliciting their voluntary aid. Right here I might say, Senator Tobey, that I approached them along the same line that you suggested a few minutes ago, that a large part of the people of our State thought

that this whisky coming into the State illegally came directly from the distillers, and if they would cooperate with me and put an end to this, we would not only put them in better light in the State, but that they would lose no revenue because the people who had been buying from the bootleggers would go to our legal stores and buy.

Senator TOBEY. What is the sequel to that?

Mr. WINSTON. I am coming to that in a minute.

Senator TOBEY. I beg your pardon. Excuse me.

Mr. WINSTON. I was very much encouraged to find from what they said that they wished to help me. Conditions after these conferences did not improve, whereupon I wrote a letter to all American distillers requesting that they write their distributors that if they, the distributors, continued to furnish wholesalers and/or exporters with liquor, which in turn was knowingly sold to North Carolina bootleggers, drastic steps against such distributor would be taken to put a stop to such practice. After some difficulty with two or three of the large distillers, they wrote this letter. I might say that one excuse they gave was that it would be in violation of the Sherman antitrust law. Well, that sounded very silly to me and I conferred with my Attorney General and also some of the leaders of our bar and they did not see any merit in that at all.

In fact, one of the distilling companies sent their lawyer down to see me and argue the point and stayed all morning and finally I got a little bit tired and told him I did not want to hear any more about that, that I had been just as kind and generous as I knew how to be, and if he did not write the letter, I was sorry, but I would have to delist with his products.

He said, "Give me a little more time." I said, "How much more time do you want?" He said, "Two hours," and he brought the letter in.

Despite such letters the bootlegging situation in my State got no better, whereupon I wrote a letter to the southern and southeastern commissioners suggesting that we meet in Atlanta on March 29, 1950, for a conference to see what we could do about the problem. The result of this meeting was the passage of resolutions to the effect that if in the future any appreciable amount of distillers' brand of whisky was found coming in illegally into the several Southern States, drastic action would be taken by the commissioners to stop such practice, resorting, if necessary, to the delisting or canceling the licenses of the companies handling such brands.

As this issue was being pressed, a request came to the commissioners of the Southern States from the distillers for a conference. We met in Asheville. The sum total of the Asheville conference was that definite commitments were made by the distillers to the Southern States that if the States would furnish the distillers with the names of the offenders and the sore spots, that they, the distillers, on their own initiative would take such steps as were necessary to end the illegal practice.

The CHAIRMAN. What is the date of the Asheville meeting?

Mr. WINSTON. That was in June 1950.

Since this meeting I have been sorely disappointed to find that conditions have not improved.

The CHAIRMAN. Give us the names of the distillers represented at the Asheville meeting.

Mr. WINSTON. Senator, I haven't got them, but there was the president of the five leading distilling companies in the United States. They did not send the scrub team down there. They had the varsity.

The CHAIRMAN. They had the presidents?

Mr. WINSTON. They had the presidents of the five leading distilling companies. I think I can find that in a minute. Here it is, sir, right here.

The CHAIRMAN. All right, read it out.

Mr. WINSTON. R. E. Joyce, National Distillers; Warren Oakes, Fleischman's Distilling Corp.; Frank R. Schwengel, Joseph E. Seagram & Sons; Carlton Healy, Hiram Walker & Sons; Frank B. Thompson, Glenmore Distilling Co.

The CHAIRMAN. Do you have Schenley on there?

Mr. WINSTON. This meeting was called by the Distilled Spirits Institute. At that time Schenley was not a member of the institute. However, since then they have joined, and in order to get Schenley and one other big company, which I do not remember, on record as approving what was done in Asheville, I wrote them a letter and told them what we had decided on and they wrote back and said that they would be glad to cooperate.

The CHAIRMAN. Now the Distilled Spirits Institute is here in Washington, has its headquarters here, and Howard T. Jones is the chairman, is that correct?

Mr. WINSTON. That is correct. It is a highly significant development at this point to observe from reports which came to me from enforcement officials, it came to light that during the period in which the distillers were threatened with cancellation or being delisted, bootlegging conditions improved in North Carolina.

The CHAIRMAN. What is that now; conditions improved?

Mr. WINSTON. During the period in which we were threatening them with being delisted things got better.

Senator TOBEY. For the bootleggers or the public?

Mr. WINSTON. For me and the ABC board, the public, so to speak, sir, but after the Asheville conference it got worse again.

A report from the Department of Revenue of the State of Illinois dated January 24, 1951, shows that during the month of November and December 1950 over 30,000 gallons of bootleg liquor were sold and consigned to individuals giving North Carolina as their address.

The CHAIRMAN. That was the very month we had our meeting here with the distilleries.

Mr. WINSTON. Yes; I believe it was.

Senator TOBEY. Strange interlude; is it not?

Mr. WINSTON. Within the last week a 500-case truck was caught in Davie, one of our dry counties. This liquor also came from M. & B. Wholesale Liquor Co., Cairo, Ill. The distillers have been advised of the activities of this company, yet apparently nothing has been done on their part to put an end to this illegal traffic.

Senator TOBEY. Who was that liquor consigned to?

Mr. WINSTON. I do not have the name of the man, some fictitious fellow that nobody ever heard of before; wasn't the real man behind the guns at all. Some fictitious persons, Senator.

Senator TOBEY. Who was he going to deliver it to?

Mr. WINSTON. He would not tell us. He has not been tried yet. We just got it. He refused to tell us where he got it from and who he was taking it to.

Again, I give as my opinion, based on statements made to me by the high officials of the distilling industry, also based on a clearer insight which I have gotten during my 2 years, almost 2 years, of dealing with this problem, that if the distillers really wanted this illegal practice stopped, they could stop it without any difficulty.

Senator TOBEY. Well, of course, they could.

Mr. WINSTON. That is my opinion, sir.

The CHAIRMAN. What would they do now if they were going to stop it; will you tell us?

Mr. WINSTON. They would tell the distributor who is the man who sells to the wholesaler or exporter, "Now, you sell any more of my goods to this wholesaler or exporter, and I am going to fire you."

The CHAIRMAN. "And if you keep on violating the law, we will revoke your license"; is that it?

Mr. WINSTON. Yes, sir.

The CHAIRMAN. That seems simple enough.

Mr. WINSTON. Very simple. It got noised around somewhat that in my drive I was putting the distillers in bad light in North Carolina, and that was one reason for the conference in Asheville in which Mr. Redwine, Mr. Evans and myself sat with them, and after days of discussion we agreed to let them see what they could do on a voluntary basis and they led us to believe that if we would furnish them the name—

Senator TOBEY. Who were you appointed by, the Governor?

Mr. WINSTON. Yes, sir.

Senator TOBEY. And you are responsible only to him?

Mr. WINSTON. Yes, sir.

Senator TOBEY. He is backing you 100 percent?

Mr. WINSTON. Yes, sir.

Senator TOBEY. Good! What is his name?

Mr. WINSTON. Scott.

Senator TOBEY. Is he a Democrat or a Republican?

Mr. WINSTON. He is a Democrat.

I address myself now to the cooperation which I received from the commissioners of the several States who were furnishing North Carolina bootleggers with liquor. Maryland passed a regulation to the effect that sales by their wholesalers and/or distributors for consignment to States in which the sale of liquor was illegal would subject the licensee to a forfeiture of their license. The District of Columbia has given me full effective cooperation.

Senator TOBEY. Were any Maryland fellows canceled, their licenses?

Mr. WINSTON. Yes, they were. There was a fellow named Winner up there who was the first fellow we had to deal with.

Senator TOBEY. So in this case the action of Maryland did put a stop to something, is that right?

Mr. WINSTON. Yes, sir; and these fellows moved on out, Senator, to Illinois.

Senator TOBEY. Go thou and do likewise. Let us send that to each one of these governors.

The CHAIRMAN. Now give us the time when Maryland passed this.

Mr. WINSTON. July 1944, 1 month after I went into office.

The CHAIRMAN. And Winner was operating in Maryland then?

Mr. WINSTON. Yes, sir, Winner was.

The CHAIRMAN. What is his company?

Mr. WINSTON. Senator, this is more or less hearsay, but I get it from very reliable sources it is the same old crowd out there, M. & B., Winner, Wenger, and the whole bunch.

The CHAIRMAN. Moved out to Cairo?

Mr. WINSTON. Yes.

The CHAIRMAN. Now, how about the District of Columbia. Did they cooperate with you?

Mr. WINSTON. Very fully; yes, sir. Of course, there has been some whisky brought into North Carolina from some retailers up here.

The CHAIRMAN. As far as the wholesalers are concerned——

Mr. WINSTON. They have cooperated very well.

The CHAIRMAN. Is that through the District of Columbia Commissioners, ABC Board here?

Mr. WINSTON. Yes, sir.

The CHAIRMAN. Did they threaten revocation if they shipped it?

Mr. WINSTON. I understand they do; yes sir. I understand that is one of their regulations.

The CHAIRMAN. So you do not have a problem with Maryland and the District of Columbia.

Mr. WINSTON. Not at the moment. It is Cairo, Ill., and M and B with me. By the way, I have the Illinois report here showing 30,000 gallons for November and December.

The CHAIRMAN. Does it have names in there?

Mr. WINSTON. Yes, sir.

The CHAIRMAN. We will make that a part of the record, an exhibit with your testimony. We will return the original. Most of them are fictitious names?

(Exhibit No. 23 returned to witness.)

Mr. WINSTON. All of them so far as we know. We never have been able to find any of these fellows that we get names for.

Senator TOBEY. That could all be taken care of by a prohibition in the rules that anybody using fictitious names shall have their license canceled and be guilty of a misdemeanor or a crime, would it not?

Mr. WINSTON. Senator, I am coming to that in one minute. I will show you what we are going to do in North Carolina if my legislature will go along with me, and I believe they will.

However, I have not been so successful in the State of Illinois. With due respect to this State and the laws and regulations of the liquor board, I must say that this State has been our greatest offender.

It seems that when Maryland and the District saw fit to pass drastic regulations on illegal and interstate shipment of liquor, the base of operation was moved to Illinois. After lengthy correspondence with the Illinois commissioner, I met with his board in Chicago the latter part of 1949. He invited me to come out there to discuss the whole thing.

I was led to believe that Illinois would pass the same regulation as Maryland had passed. However, this was not the case due to causes unknown to me.

The CHAIRMAN. Whom did you talk with out there?

Mr. WINSTON. At that time they had a chairman whose name I do not remember right now, but somebody else had just been appointed. He was I believe a Republican chairman and the fellow that took his place, named Taylor, was a Democrat under the new administration, and I went to Taylor after the meeting was over and told him that

I was a Democrat and him being from a Democratic State he indicated he was going to help me.

The CHAIRMAN. That is a good reason all right.

Mr. WINSTON. I agree with you, Senator. The Illinois commissioner met with the southern group in Atlanta where he heard the commissioners of practically every Southern state say that nearly all the bootlegging liquor coming into their State was coming from Cairo, Ill.

Senator TOBEY. M. & B.?

Mr. WINSTON. M. & B., yes, sir.

Senator TOBEY. What does M. & B. stand for?

Mr. WINSTON. At this time it was this fellow Wenger you heard so much about. This is before M. & B. went into existence.

Senator TOBEY. What does M. & B. stand for?

Mr. WINSTON. I do not know. I do not think anybody knows. Just a couple of initials.

They stated the experiences of their law enforcement officers who went to Cairo in an effort to spot the trucks being loaded with liquor by Cairo wholesalers signed to the Southern States.

The reception, according to these law-enforcement officers, in Cairo as related by these enforcement officers, revealed that they were practically ushered out of town either by the town officials or the guards of the exporting companies. I quote from the minutes of this conference the remarks of one of the southern law-enforcement officials. I believe, by the way, he is here. [Reading:]

I went to Illinois and watched Wenger in operation. He knew we were watching him so he took his trucks marked "produce" or "lumber," and would take whisky out of warehouses and stash it in barns and would then distribute it with feeder busses. He would send cars out to block roads so that our cars could not see where his trucks went. We were stopped by State officials and State patrol and the State ordered arrest of us for carrying arms. We would identify ourselves, but nevertheless Illinois officials would search us.

I give as my opinion before anything can be accomplished to stop conditions as they now exist in Illinois, some Federal legislation will have to be passed.

The most surprising thing that I have ever run across is one of these Federal regulations which has been the subject of discussion here this morning, and when I found it I was never more astounded in my life, and I will read this regulation. This is in regard to issuing RLD stamps. It is one of their regulations. [Reading:]

Collectors are without authority to refuse to issue a special tax stamp to a liquor dealer engaged in business in violation of State law. The stamp is not a Federal permit or license, but merely a receipt for the tax. The stamp affords the holder no protection against prosecution for violation of State law.

I venture to say that very few of the Members of Congress of the United States know that such a law or regulation exists. I know that the Congressmen in my State do not know anything about it.

Although there are no permittees or licensees to sell liquor in North Carolina, the Federal Government issues these stamps to North Carolina citizens which gives them immunity from arrest by Federal authorities, although in plying their trade they are violating our State law. It would seem to me that the Federal Government would not desire to pass any law or regulation whereby the Federal Government made it possible for a citizen of the State to conduct a business in violation of State laws.

For my part I would like to see the Congress pass a law or regulation forbidding the issuance of a retail liquor dealer's stamp in States that are dry or in States that are partially dry.

However, if this cannot be done, I earnestly recommend that Congress amend the Federal liquor regulations to the extent that anyone applying for a retail liquor dealer's stamp shall make his identity wholly known, first by a photograph attached to the application and by a certificate of some State probate official to the effect that the applicant is known to such official and that the name of such applicant is his true name.

Senator Tobey has gone out. I am getting to the part he suggested a minute ago. I will get it in the record.

As this matter now stands, none of the boys in the big money have RLD stamps. These stamps are held by their stooges. In nearly every instance some wholly inconspicuous insolvent unknown personality whom you find residing in the backwoods has the stamp. This was forcibly demonstrated in the case of *State v. A. L. Graham*, Cumberland County, N. C. Graham did not have an RLD stamp, but Jones, his stooge did. Graham was caught with the goods on him, fined \$35,000 and given a 3-year sentence.

We found on his person checks made payable to Wenger. One of them was for \$18,000. I have a photostatic copy of that.

The CHAIRMAN. Yes; let us make it a part of the record.

(Check was marked "Exhibit No. 24," and is on file with the committee.)

Mr. WINSTON. It is my opinion that if the law or regulation can be amended as suggested, it would do more to stop bootlegging in the South than any one law now on the statute books.

There has been a bill prepared to be introduced in the Legislature of North Carolina, making it a felony for anyone to procure, obtain, possess, purchase, permit to be issued, or to have issued to any person a license permit, stamp, or other authority from the Government of the United States to manufacture, sell, transport, handle, or purchase intoxicating liquor in the State of North Carolina.

Mr. BURLING. Before you leave the Graham case, was any Federal action taken with respect to that? You said he did not have a Federal tax certificate himself.

Mr. WINSTON. I do not know whether the Federal Government has indicted him or not. Graham was indicted by Federal authorities for narcotics and marijuana, a typical gangster. This was in our superior court where he was fined \$35,000 and given a 3-year sentence. I have here photostatic copies of the important part.

The CHAIRMAN. Let that be made part of the record. (Exhibit No. 25, on file with committee.) You mean, sir, that people dealing in narcotics have also gotten into the liquor business?

Mr. WINSTON. That is our information; yes. Here is the check for \$18,000 made payable to J. Wenger, a cashier's check.

The CHAIRMAN. It will be made a part of the record. (See exhibit No. 24.) That is dated September 23, 1949.

Mr. WINSTON. Well, sir, that is about all I know about it. I have had a great deal of correspondence with these people.

The CHAIRMAN. It is your opinion now that the distillers are doing anything toward helping you with your problem?

Mr. WINSTON. I regret very much to say that I do not think they are.

The CHAIRMAN. So that the Asheville meeting of June 1950 did not amount to anything?

Mr. WINSTON. It amounted to nothing so far as I think we accomplished any good.

The CHAIRMAN. Have you delisted any of their brands?

Mr. WINSTON. No, sir. We are now pursuing the attitude that we had in Asheville up until this moment. I do not know what we are going to do from now on. These large shipments have just come to light. These reports come out sometimes 2 or 3 months after the shipments are made.

These things have just come to my office here recently that I have been referring to and I am very much surprised, and I have written all the distillers despite what they said in Asheville, whisky continued to come in, and I did not understand it.

The CHAIRMAN. This gentleman back here, he is with you?

Mr. WINSTON. Yes, sir; he is my chief enforcement officer.

The CHAIRMAN. What is his name?

Mr. WINSTON. George H. Andrews.

The CHAIRMAN. Mr. Andrews, will you come around and sit with the commissioner a minute. Do you solemnly swear the testimony you give the committee will be the whole truth, and nothing but the truth, so help you God.

Mr. ANDREWS. I do.

The CHAIRMAN. Sir, we have been reading in the papers and we have some information relative to quite a substantial narcotics ring down in North Carolina. Are you familiar with that problem?

TESTIMONY OF GEORGE H. ANDREWS, CHIEF ENFORCEMENT OFFICER, NORTH CAROLINA ALCOHOLIC BEVERAGE CONTROL BOARD

Mr. ANDREWS. I am not familiar with it. The FBI in our State is part of the State agency in North Carolina that is handling that investigation, so the information that they had I just know a little of it, what is turned over to the Federal authorities, and in the Graham case there is a detainer filed for Graham at the completion of his present sentence that he is serving now with the State. There is a Federal detainer that is filed.

The CHAIRMAN. What is he serving time for with the State now?

Mr. ANDREWS. He is serving for violation of the State prohibition laws. He was a principal offender in Cumberland County. He with Wenger and Pearson were importing liquor for resale in dry counties of North Carolina.

The CHAIRMAN. And there is a Federal indictment for violation of the Harrison Narcotics Act awaiting him when he is released?

Mr. ANDREWS. Yes; that is pending in Federal court.

The CHAIRMAN. Is he one of the chief liquor offenders that you have?

Mr. WINSTON. He was one of the chief ones that had come to Cumberland. There is quite a few in North Carolina that have moved to Florida and to other States. The pressure was brought on and

through these reports that we get in North Carolina, eventually they moved into other States where they bought their RLD stamps, and in that way North Carolina was not advised by the State of Illinois of shipments that were coming out of there.

For instance, a part of it goes from North Carolina to Cairo, Ill., and purchase a truckload of whisky and it would have a South Carolina RLD stamp. South Carolina would get the information of that shipment and North Carolina would have no knowledge of it.

We are not getting the information that we at one time got, due to the fact we think because we are beginning to bring so much pressure on them.

The CHAIRMAN. Is it your information that part of the same ring that was involved in the narcotics difficulty in North Carolina recently is also in this business of illegally bringing whisky into the State?

Mr. ANDREWS. Definitely so. The Graham ring of Cumberland County, the one to which I just referred, he was arrested in a hotel with this \$18,000 check. For over a period of approximately 3 months it showed that he had imported or bought from Wenger through cashier's checks purchased at banks and payable in excess of \$100. That was just at one time. His activities were tied in from Florida to New York with the narcotics ring.

The CHAIRMAN. That was a pretty big narcotics ring, was it not?

Mr. ANDREWS. It definitely was; yes, sir.

The CHAIRMAN. Where did he come from?

Mr. ANDREWS. He is a native of Cumberland County, N. C.

The CHAIRMAN. How many people were arrested with him or indicted with him of this narcotics ring?

Mr. ANDREWS. I am not able to give you that information, but I have information that it leads from Miami into New York.

One of our men that was endeavoring to contact authorities in New York by telephone to arrange for sale or purchase of narcotics, they advised our authorities that it would be necessary to contact Dan Graham before anything could be cleared.

The CHAIRMAN. Graham had a substantial criminal record?

Mr. ANDREWS. He did, right along.

The CHAIRMAN. Is he the man that you found the \$18,000 check on?

Mr. ANDREWS. Yes.

The CHAIRMAN. So M. & B. was dealing with him?

Mr. ANDREWS. Yes, sir. He had a man by the name of Jones who was a TB victim that was not solvent. In other words, he was practically on charity.

Jones bought the RLD stamp and all of the invoices and transactions from Cairo to North Carolina were shown in the name of Jones, but until we apprehended the \$18,000 check and Graham, why we were never able to bring Graham into the picture.

The CHAIRMAN. So it is your opinion that people in this liquor business are also in narcotics and any other kind of criminality where they can make an easy dollar?

Mr. ANDREWS. I beg your pardon. I did not hear your question.

The CHAIRMAN. I say, it is your opinion as the chief enforcement officer of ABC Board of North Carolina that some people who are in this whisky-running business are also in narcotics or any other kind of criminality where they can make an easy dollar?

Mr. ANDREWS. That is my opinion, Senator.

The CHAIRMAN. That they all run along together?

Mr. ANDREWS. They all run along together. Some of them are men of power with a lot of money and influence, and their stooges and help are more or less underworld people that would resort to violence of practically any nature if it became necessary.

The CHAIRMAN. Do you find that they carry arms and sawed-off shotguns?

Mr. WINSTON. They do in many instances. It is associated with small bandit rings and holdup people. All of it is closely associated and tied together.

The CHAIRMAN. Is there anything else you want to say about it?

Mr. ANDREWS. I believe that is all.

The CHAIRMAN. Mr. Burling had a question.

Mr. BURLING. Mr. Winston, I believe you were present at the Atlanta conference.

Mr. WINSTON. Yes, sir.

Mr. BURLING. What is your recollection of what was said about Mr. Wenger?

Mr. WINSTON. I beg your pardon, sir?

Mr. BURLING. What is your recollection of what Mr. Conerty said about Mr. Wenger?

Mr. WINSTON. He got up, and my recollection is he said he was a good citizen, and left the impression on me that there was nothing on earth wrong with him. He talked along that line quite at length. When he sat down Mr. Evans got up and made the statement that he resented very much an official of the United States Government saying that a man with the notorious reputation of Wenger was a good citizen.

The CHAIRMAN. Did you say Wenger operated over in Maryland?

Mr. WINSTON. No, sir. That fellow's name was Winner, W-i-n-n-e-r. Winner closed up, and the next thing we heard it was Wenger. I do not know whether he changed his name or what it was.

The CHAIRMAN. Does your enforcement man know anything about Mr. Wenger?

Mr. WINSTON. He was at Atlanta with us, Mr. Andrews.

The CHAIRMAN. Was that your recollection of what was said?

Mr. ANDREWS. My recollection was practically as related by the gentleman who preceded me. To the best I recall, it was something to this effect: That Mr. Wenger was a man of good character and he regarded him as a gentleman.

The CHAIRMAN. We are very grateful to you, Mr. Winston, and to you, sir, for coming up and giving us the benefit of this testimony. We will stand in recess until 2:45, and then we will finish up with all these witnesses.

(Whereupon, at 1:45 o'clock p. m., the committee recessed, to reconvene at 2:45 o'clock p. m., this same day.)

AFTERNOON SESSION

The CHAIRMAN. Mr. Clyde W. Saunders, Jr., director of the Virginia Alcoholic Board of Control, Richmond, Va.

Do you solemnly swear the testimony you will give this committee will be the whole truth, and nothing but the truth, so help you God?

Mr. SAUNDERS. I do.

TESTIMONY OF CLYDE W. SAUNDERS, DIRECTOR, VIRGINIA
ALCOHOLIC BOARD OF CONTROL, RICHMOND, VA.

Mr. BURLING. Mr. Saunders, were you here this morning? Were you present here this morning?

Mr. SAUNDERS. I was.

Mr. BURLING. Did you hear the testimony given by the commissioners of various Southern States?

Mr. SAUNDERS. Yes.

Mr. BURLING. The commissioners of various Southern States for alcohol?

Mr. SAUNDERS. Yes.

Mr. BURLING. Does Virginia have a parallel problem?

Mr. SAUNDERS. Yes; we do.

Mr. BURLING. Do you care to make a statement about it?

Mr. SAUNDERS. Yes. I think that the statement I make stems back to 1938 and 1939 when we had a problem similar to this southeastern States problem, emanating from Maryland and New Jersey and New York. In 1939 we promulgated regulations through our Virginia Alcoholic Beverage Control Board, which incidently, is a State-operated monopoly system, by which any alcoholic beverages being transported into or through Virginia would be in violation of our laws. We made seizures as a result of that legislation. However, those seizures went to our supreme court and were nullified.

In 1940, following the Duckworth case in Arkansas, we resubmitted a case to our supreme court and, as a result of those cases the decisions were affirmed and subsequently affirmed by the United States Supreme Court.

Since that time our problem on enforcement of the importation or import laws of other States have been more or less minor.

In 1946 or 1947, I began to work with the District of Columbia Alcoholic Beverage Control Board and the Maryland Liquor Authority, requesting them to refuse their licensees, or have their licensees refuse shipments to these illegal operators who live both in Virginia and use the State of Virginia as a means of reaching North Carolina, Georgia, South Carolina, and Tennessee.

I met with no success whatsoever; however, with the legislation we had on our statute books, we did meet with some enforcement success.

In 1949 I returned to Maryland and, following Bob Winston's conference, we met with unusual success. I would say that in the last 3 years—in 1948 we seized going through Virginia, not stopping in Virginia, destined for North Carolina, Georgia, and Tennessee, 116 trucks which included tractors and trailers. In 1949 we seized 98 of those types of vehicles. Following the agreement with Maryland and with New Jersey, we only seized 29 during the calendar year of 1950.

So far as Illinois is concerned and Cairo, I attended both of the Southeastern States conferences in Atlanta to cooperate with our sister States. We have seized one shipment in Virginia, far southwest Virginia, from Wenger, from Cairo, Ill., that being 100 cases, which came in through Kentucky and was seized as it entered Wise County, Va.

We had information on another shipment. We do not know the amount of the shipment, but we had our road patrol waiting at the

borders of Virginia and North Carolina, when we were advised that the Tennessee patrol and investigators had made the seizure in Tennessee, that being a Martinsville bootlegger by the name of Clay Earls. I understand he has since been apprehended and is being prosecuted at this time.

The only problem that we have, insofar as Maryland and the District of Columbia is concerned, is where local bootleggers will come over into the District or over into Maryland and buy at retail and bring it back into Virginia. I think most of the business that was previous to 1949 that was going through Virginia is now circumventing Virginia and coming in, I understand, through the other States.

The CHAIRMAN. So that the wholesalers in the District of Columbia and Maryland, by virtue of the orders or regulations of the control boards are cooperating with you?

Mr. SAUNDERS. One hundred percent.

The CHAIRMAN. Is that correct?

Mr. SAUNDERS. Yes.

The CHAIRMAN. Did you attend the Asheville meeting?

Mr. SAUNDERS. No; I did not.

The CHAIRMAN. Anything else?

Mr. BURLING. You did attend the Atlanta meetings?

Mr. SAUNDERS. That is correct. That was in 1950 and in 1949.

Mr. BURLING. Do you have a recollection as to what was said by Mr. Conerty about Mr. Wenger?

Mr. SAUNDERS. Yes.

Mr. BURLING. What was it?

Mr. SAUNDERS. My recollection is substantially the same as that testified to this morning. There was an open discussion relative to Wenger and his operations in Cairo and right after lunch this Alcohol Tax Unit investigator made the statement that he thought we were confused about Wenger; however, I did not know Wenger personally. He said that he was a good American and a substantial citizen. He gave his name, his age, and his weight, and what his condition of business was.

Mr. BURLING. Are you familiar with H. R. 1278?

Mr. SAUNDERS. Yes; I am.

Mr. BURLING. Do you care to make any statement as to your views on that?

Mr. SAUNDERS. Yes.

The CHAIRMAN. Let's make H. R. 1278, which is a bill introduced by Congressman Camp, of Georgia, upon the recommendation of Mr. Redwine, the commissioner, and which is a bill now being referred to—let's make it a part of the record.

(The above-described document was marked "Exhibit 26," and appears in the appendix on p. 759.)

Mr. EVANS. May I interpose, as to the parentage of that bill, that, in order to give credit where credit is due, I think that H. R. 1278 and the thought it originated, originated with Mr. Avis in the course of our discussions of this problem, and we have wholeheartedly taken it up?

The CHAIRMAN. That is right.

I knew Mr. Avis felt kindly toward the idea. I did not know whether the bill itself was approved by him or its general principles.

Mr. EVANS. The Treasury Department has not taken an official position about it, but the general principle was approved.

It was thrown out by Mr. Avis to us as a possible solution.

The CHAIRMAN. I think it is also indicated as reported to this committee, which report will be released later, that he approves this general idea; is that correct?

Mr. EVANS. I haven't seen that report, Senator.

Mr. BURLING. Do you care to express a view on this bill?

Mr. SAUNDERS. I am definitely heartily in favor of this bill. This bill was discussed in detail at the 1951 Atlanta conference and at that time I requested, for the State of Virginia, inasmuch as we had a definitely workable system, which seemed to be controlling somewhat this importation and transportation of alcoholic beverages through Virginia, an amendment to the bill, and I think I am positive that that was approved by those present.

I think that this is certainly a definite need in the enforcement of the alcoholic beverages and liquor laws throughout the entire United States.

The CHAIRMAN. The bill speaks for itself. Generally, it provides that anybody who "shall import, bring, or transport, or attempt so to do, or assist in so doing, any intoxicating liquor," containing more than 4-percent alcohol by volume, into or through a State where it is illegal to do so, shall be guilty of a misdemeanor and fined not more than \$1,000 or imprisonment not more than 1 year if a permit is not secured."

Is that the purport of it?

Mr. SAUNDERS. That is right.

Mr. BURLING. The amendment which the commissioners desire to make provides that it be raised to a felony and the fine be raised to \$5,000?

Mr. SAUNDERS. There were three phases of the amendment, making it a felony and making a maximum fine of \$5,000 and also making it a violation when alcohol beverages were transported into, within or through any State in violation of the alcoholic beverage control laws or the alcoholic beverage revenue laws of that particular State.

We felt in Virginia we had a system that was working 100 percent with us and we wanted to see that system retained.

The CHAIRMAN. All right, Mr. Saunders. Thank you very much for coming and for your cooperation with the committee.

Let's get Mr. Argo and Mr. Lauderdale together.

Do you solemnly swear the testimony you will give this committee will be the whole truth, and nothing but the truth, so help you God?

Mr. ARGO. I do.

Mr. LAUDERDALE. I do.

TESTIMONY OF WILLIAM ARGO AND HARRY LAUDERDALE, INVESTIGATORS, ALCOHOL DIVISION, STATE OF TENNESSEE

Mr. GOLDSTEIN. Mr. Argo, what is your occupation?

Mr. ARGO. I am an investigator for the State of Tennessee, alcohol division.

Mr. GOLDSTEIN. And how long have you been an investigator for the State of Tennessee alcohol division?

Mr. ARGO. Since May 23, 1949.

Mr. GOLDSTEIN. And you, Mr. Lauderdale, your occupation, please?
Mr. LAUDERDALE. Investigator for the State of Tennessee, alcohol division.

Mr. GOLDSTEIN. And how long have you been an investigator, sir?

Mr. LAUDERDALE. May 23, 1949.

The CHAIRMAN. Do you both live in Tennessee?

Mr. ARGO. Yes, sir.

Mr. LAUDERDALE. Yes, sir.

The CHAIRMAN. That is your home?

Mr. ARGO. Yes; in Chattanooga.

The CHAIRMAN. Where do you live?

Mr. LAUDERDALE. Nashville.

Mr. GOLDSTEIN. Mr. Argo, in the course of your official duties, are you required to investigate the situation at Cairo, Ill., with respect to the importation of liquor illegally into the dry areas of Tennessee?

Mr. ARGO. Yes, sir.

Mr. GOLDSTEIN. When did you first go to Cairo, Ill., and place certain premises under surveillance?

Mr. ARGO. On December 1, 1949.

Mr. GOLDSTEIN. When you first went to Cairo, was the organization known as J. B. Wenger operating as J. B. Wenger at that time?

Mr. ARGO. Yes, sir.

Mr. GOLDSTEIN. And after you completed your first survey in Cairo and your first activities toward the summer of 1949, did J. B. Wenger change its organization?

Mr. ARGO. Yes, sir; it did.

Mr. GOLDSTEIN. And became what?

Mr. ARGO. M. & B.

Mr. GOLDSTEIN. So M. & B. Wholesalers is the successor to J. B. Wenger.

Mr. ARGO. That is correct.

Mr. GOLDSTEIN. And the operating personnel is the same as far as you know?

Mr. ARGO. As far as I know, yes.

Mr. GOLDSTEIN. Among the operating personnel, so we get some idea of the people involved, was there a Mr. Charles Smith, the manager?

Mr. ARGO. Yes.

Mr. GOLDSTEIN. A Mr. Wishnia?

Mr. ARGO. Yes, sir.

Mr. GOLDSTEIN. Ruby Wishnia?

Mr. ARGO. Yes.

Mr. GOLDSTEIN. Mr. Markoff?

Mr. ARGO. Yes.

Mr. GOLDSTEIN. Do you know his initials or first name?

Mr. ARGO. I do not know his first name or his initials.

Mr. GOLDSTEIN. Mr. Lauderdale, were you in Cairo with Mr. Argo during that same period?

Mr. LAUDERDALE. Yes, sir. I first went there with him in January 1950.

Mr. GOLDSTEIN. When you were there, you put under surveillance the trucks that were loaded at the J. B. Wenger establishment for the purpose of trailing them into Tennessee?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Could you give us, Mr. Argo, a brief description of how the feeder truck operates?

Mr. ARGO. Yes, sir. At this particular time he had a red Dodge feeder truck.

Mr. GOLDSTEIN. That was a truck owned by J. B. Wenger?

Mr. ARGO. Yes. It had a Georgia license plate and was registered to Ed Campbell, of Memphis, Tenn., to a fictitious address, which we found to be false.

He would take this truck from the warehouse, load it and go out into remote sections, such as country roads, off to the side of the river around Cairo, and it would be convoyed with two or three automobiles.

Mr. GOLDSTEIN. The people occupying these automobiles were armed?

Mr. ARGO. There was one particular time they were that I came in contact with them. I couldn't say the other time. This went on every day. They had two entrances. One feeder would come in one end and the truck to be loaded would come in the other end. They would put two cars, one at each entrance, to see that no suspicious-looking car came in there where they were loading. If you tried to get in there in any way, they would block you and start following you around.

Mr. GOLDSTEIN. This feeder truck was loaded with whisky that was ordered by some person who was intending to carry it down to one of the dry areas?

Mr. ARGO. Yes.

Mr. GOLDSTEIN. The feeder truck would put on the load and transfer it at this hidden spot outside or within the limits of Cairo to the truck that would eventually carry it down to Tennessee, North Carolina, and so forth?

Mr. ARGO. That is right. They would always be camouflaged trucks, such as lumber, produce.

Mr. GOLDSTEIN. There was a truck that was camouflaged as a creosote truck; wasn't it?

Mr. ARGO. Yes, sir.

Mr. GOLDSTEIN. Could you tell us a little bit about that?

Mr. ARGO. We caught a fellow on it named Shapiro from Chicago. It was loaded, however, at the warehouse, but there are two entrances to the warehouse. There is an old freight line by the side which is not an entrance to the Wenger Co., but they load the feeder truck from the Wenger truck and back it into the tanker, which is the Southern Creosote Co., and load it. It stayed there until after dark and pulled out after dark from the warehouse that night.

We followed it down into Tennessee and the man told us he was hauling creosote. He said he had purchased it in Chicago. He went around and turned one of the faucets on and creosote ran out.

Upon further investigation, we found 145 cases. He had a small container welded in the top, about a five-gallon container, fixed so that the tube would run out the back.

Mr. GOLDSTEIN. I have some pictures here of a creosote truck, which is identified on the truck as that of the Southern Creosoting Co. I wonder if you can tell me if these are pictures of the same truck you apprehended.

Mr. ARGO. That is right.

Mr. GOLDSTEIN. Mr. Chairman, may I have placed in the record this clipping containing two pictures?

The CHAIRMAN. Let that be made an exhibit to Mr. Argo's testimony.

(The above-described document was marked "Exhibit 27," and is on file with the committee.)

Mr. GOLDSTEIN. When you apprehended this truck, did you find a bill from Mr. Wenger which listed the contents of the truck, the alcoholic contents of the truck?

Mr. ARGO. I did.

Mr. GOLDSTEIN. Does this bill made out to Jack Anderson, of Spartanburg, S. C., for 156 cases appear to be the same bill?

Mr. ARGO. That is it; yes, sir.

Mr. GOLDSTEIN. Was Mr. Anderson on the truck?

Mr. ARGO. No, sir.

Mr. GOLDSTEIN. Have you been able to find out if there is such a person as Mr. Anderson at that address?

Mr. ARGO. No, sir.

Mr. GOLDSTEIN. Do you know if Mr. Anderson is, what has been referred to before, as a phony name?

Mr. ARGO. It is a phony name; yes, sir.

Mr. GOLDSTEIN. Mr. Chairman, may I ask that the bill of lading of the creosote truck be a part of the evidence?

The CHAIRMAN. That will be made exhibit No. 28.

(The above-mentioned document was marked "Exhibit No. 28," and appears in the appendix on p. 760.)

Mr. GOLDSTEIN. During the course of the time you and Mr. Lauderdale put trucks, either feeder trucks or trucks directly loaded at Wenger's under surveillance for the purpose of following them into Tennessee, were you at any time ever stopped by any person who sought to interfere with your activities of following the trucks? First of all, let me ask you whether any of the convoy group ever stopped you from following the truck?

Mr. ARGO. Yes, sir. One night they became suspicious of our car and they started following us around. We went over into Kentucky and stayed about 40 minutes. That was on March 8, 1950. I would say it was about 40 or 50 minutes later when we came into Cairo. They were waiting at the city limits. They were in a red Cadillac, bearing an Ohio 1950 plate, AA-5917. They followed us for about an hour and finally they got the State patrol to help them. The State patrolman, whose name I learned was Buwie—

Mr. GOLDSTEIN. This is an Illinois State patrolman?

Mr. ARGO. He came up behind us, stopped us and the Cadillac pulled up behind the State patrol. He asked us who we were. We told him and showed him our credentials, and everything. He said, "Do you know who that is following you?"

I said, "No, sir." Then I went on to say, "With your permission, I would like to find out."

He said, "That is a couple of our local bootleggers, here."

I reached down on the seat and took a sawed-off shotgun and went back to the car and told them to get out of the car.

Mr. GOLDSTEIN. That shotgun was furnished you by the State of Tennessee for your own protection?

Mr. ARGO. Yes, sir; it was Tennessee property. This fellow wouldn't tell me who he was. I later learned his name was Lou Jacobson.

Mr. GOLDSTEIN. Was Mr. Jacobson or any of the occupants of the car armed?

Mr. ARGO. Lou Jacobson had a pistol under his belt. I asked him who he was. He never told me. The patrolman asked him his identity and he would not tell him that.

Mr. GOLDSTEIN. The patrolman?

Mr. ARGO. Buwie.

Mr. GOLDSTEIN. Did Buwie require him to give his identity?

Mr. ARGO. Yes. He asked him for a driver's license or something to identify himself by. He said he didn't have it. He then said, "Go ahead. I will see you down in the hotel in about an hour." So we departed.

Mr. BURLING. Was the gun in plain sight under Mr. Jacobson's belt?

Mr. ARGO. Yes.

Mr. BURLING. So Mr. Buwie had an opportunity to see it?

Mr. ARGO. Yes.

Mr. BURLING. What action did he take with respect to the pistol?

Mr. ARGO. That was all he said. The patrolman told us we better not get back into the Cairo city limits that night because they had both ends blocked and they would put us in jail. We went back to Metropolis and spent the night.

Mr. BURLING. The patrolman said the city police in Cairo would put you, a law enforcement officer, in jail?

Mr. ARGO. Yes.

Mr. BURLING. Did he explain why?

Mr. ARGO. No, sir.

Mr. GOLDSTEIN. During the time from January 1950 until the spring of 1950, when you and Mr. Lauderdale followed and reported cargoes of liquor going into Tennessee, do you have any idea of the value of the cargoes and the equipment which was seized in Tennessee during that period?

Mr. ARGO. On December 1, 1949, to March 1, 1950, we seized nine trucks valued at about \$100,000 to \$150,000.

Mr. GOLDSTEIN. During that time did you also cooperate with the law enforcement officials of your sister States by reporting trucks in transit through or to those States?

Mr. ARGO. Yes, sir.

In one instance we saw a truckload from North Carolina and called the North Carolina authorities on that. In another instance we saw a South Carolina truckload and we called the South Carolina authorities. The truck was going to North Carolina, so we seized it.

Mr. GOLDSTEIN. Was there a truckload that you reported to the State of Georgia that involved some \$15,000 worth of liquor?

Mr. ARGO. That was \$30,000 worth. It was seized out of Columbus, Ga., and it had 600 cases on it. The Georgia authorities, Commissioner Redwine of Georgia—

Mr. GOLDSTEIN. As a result of your activities and Mr. Lauderdale's activities up to the period of March 1950, was there any change in the activities in Cairo in terms of Mr. Wenger? Did he change his business at that time?

Mr. ARGO. Yes, sir; he did.

Mr. GOLDSTEIN. When Mr. Wenger changed his business what name did he start to operate under?

Mr. ARGO. M. & B.

Mr. GOLDSTEIN. He became M. & B. at that time?

Mr. ARGO. Yes, sir.

Mr. GOLDSTEIN. After you people had followed his trucks for a 4-month period into Tennessee and other States?

Mr. ARGO. Yes, sir. Shortly after March 1950 they began to put some counterfeit stamps in in Tennessee, bring in the whisky and put counterfeit stamps on it.

Mr. GOLDSTEIN. In other words, in a part of Tennessee, Tennessee tax stamps were placed on liquor bottles when those tax stamps were counterfeit?

Mr. ARGO. Yes, sir.

Mr. GOLDSTEIN. At that time you and Mr. Lauderdale went to eastern Tennessee to investigate; is that correct?

Mr. ARGO. That is correct.

Mr. GOLDSTEIN. Would it be fair to say that, as a result of your investigation in eastern Tennessee, it became apparent that the stamps were coming from another State and were being brought into Tennessee?

Mr. ARGO. Some we were informed were brought in from Illinois.

Mr. GOLDSTEIN. Mr. Lauderdale, as the result of this investigation showing that counterfeit revenue stamps in Tennessee were being produced elsewhere and brought in and used in Tennessee, you were given orders to go under cover into the liquor industry in Cairo; is that correct?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Mr. Lauderdale, you changed your name, didn't you, at that time on orders, of course?

Mr. LAUDERDALE. Yes, sir.

Mr. GOLDSTEIN. What name did you go under?

Mr. LAUDERDALE. I had three names I went under. I was taken off the payroll of the State of Tennessee and I was being paid under the name of J. W. Hunter. In Illinois I was known as J. H. Duval.

Mr. GOLDSTEIN. As J. H. Duval, did you contact a bootlegger in Mississippi whom you had previously put out of business through the seizures of his cargoes?

Mr. LAUDERDALE. That is correct. But he knew I was Lauderdale and I explained to him I was resigning from the State.

Mr. GOLDSTEIN. You explained to him that you were resigning from the State service and you were going into the bootlegging business and, on the basis of your knowledge and know-how of Tennessee, you could be of service to him; is that right?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. As J. H. Duval, working with this gentleman from Mississippi, you went to Cairo, Ill., to purchase liquor?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. And you initially purchased liquor for transportation in an automobile with overload springs?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Subsequently, when business became better, shall we say, you began to use a truck?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. That truck was owned by this bootlegger from Mississippi with whom you worked?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. Did you ever make known to the people at M. & B. in Cairo your true identity?

Mr. LAUDERDALE. I did.

Mr. GOLDSTEIN. What did you tell them?

Mr. LAUDERDALE. I told them that I was Lauderdale, but that I did not want everyone to know it. I wanted to tell them. The reason I didn't want a lot of people to know it was because a lot of people that I had called in Tennessee were still hauling whisky from there. The reason I told him was I was trying to find the counterfeit plates.

Mr. GOLDSTEIN. Did you tell that to Mr. Charles B. Smith at M. & B.?

Mr. LAUDERDALE. I did.

Mr. GOLDSTEIN. Did subsequently Mr. Wishnia and Mr. Markoff know you were also Lauderdale and you were interested in the counterfeit plates?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. When you purchased liquor at M. & B. for carrying through the State of Tennessee into other areas, what name appeared on the invoices or the bills?

Mr. LAUDERDALE. W. R. Scott.

Mr. GOLDSTEIN. W. R. Scott?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. The address was given as what?

Mr. LAUDERDALE. Vernon, Ala.

Mr. GOLDSTEIN. Mr. W. R. Scott was not in Alabama?

Mr. LAUDERDALE. No, sir.

Mr. GOLDSTEIN. Did the people in M. & B. know that Mr. Scott was not in Alabama?

Mr. LAUDERDALE. Yes, sir.

Mr. GOLDSTEIN. In order to protect you if you went into Mississippi, in order to avoid the payment of so-called black-market taxes in Mississippi, were the bills made out for Alabama?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. They knew that at M. & B.?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Did they also give you a second set of bills to use in case you ran into difficulty with law enforcement officials in Alabama?

Mr. LAUDERDALE. They did.

Mr. GOLDSTEIN. What state was shown as the final destination on those second bills?

Mr. LAUDERDALE. Columbus, Miss.

Mr. GOLDSTEIN. Columbus, Miss. Where were all these bills prepared? Did you prepare them?

Mr. LAUDERDALE. On one occasion I prepared them and I would read from the regular bills and Mr. Smith sometimes would type it up. The bogus copy to Columbus would be typed by Mr. Smith. On one occasion Mr. Wishnia did.

Mr. GOLDSTEIN. In other words, normally both sets of bills, the bogus and the so-called correct bills were prepared on the premises of M. & B. by people in charge at M. & B.?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. So they had full knowledge of the two sets of bills and they had full knowledge of the bogus transactions?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. At any time did you proceed to carry on independent business for M. & B.? In other words, were you ever asked by M. & B. to transport liquor for them instead of for yourself at a fee?

Mr. LAUDERDALE. I was.

Mr. GOLDSTEIN. How were the arrangements made in that case?

Mr. LAUDERDALE. I transported a lot of whisky, 102 cases to Gainesville, Ga.

Mr. GOLDSTEIN. Gainesville, Ga.?

Mr. LAUDERDALE. On January 5, about a week or 4 or 5 days prior to that time, I was in Cairo and Mr. Smith asked us if we would haul this load of whisky down there, he would pay us \$4 a case. He also told us he would like to make about a dollar a case on the whisky, which we said was all right. So he made the arrangements and on January 4 I went to Cairo and left the truck on the street and got in touch with Mr. Smith, who was to pick up the truck early the next morning when the warehouse opened and load it. And after it was loaded, he was to call us at the Cairo Hotel, because we got into town late that night.

He did. We left there, and the bill showed the whisky going to Vernon, Ala.

Mr. GOLDSTEIN. But the actual destination you were told was Gainesville, Ga.?

Mr. LAUDERDALE. That is right.

The CHAIRMAN. I am awfully sorry to have to interrupt the committee hearing but we will have to have a 10-minute recess because we have an important vote.

The committee will be in recess for 10 minutes.

(There was a 10-minute recess.)

The CHAIRMAN. The committee will come back to order.

Mr. GOLDSTEIN. Mr. Lauderdale, just to bring things back into focus, you, in your undercover work, told this gentleman from Mississippi, whose name, I believe, is Scott—

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. And these other people that you were no longer connected with the Tennessee authorities.

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. And you were able to assist them because of your previous knowledge of Tennessee and because, if I may say so, Mr. Argo was a very good friend of yours and you could depend upon him to assist you in your activities?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. So far as Mr. Scott was concerned, and the people at M. & B. were concerned, you were an ex-cop, so to speak, who decided to make money the easy way.

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. Do you know the address of M. & B. in Cairo? Do you know it, Mr. Argo?

Mr. ARGO. 1601 Commercial.

Mr. LAUDERDALE. I think it is 1601 Commercial.

Mr. GOLDSTEIN. Where is Southern Wholesaler in Cairo?

Mr. LAUDERDALE. One block south of there. It would be in the 1500 block, I guess.

Mr. GOLDSTEIN. The people you dealt with in M. & B. were the same people who were running J. B. Wenger when you first came to Cairo?

Mr. LAUDERDALE. That is my information.

Mr. GOLDSTEIN. Getting back to your activities under cover, I believe you were telling us about the situation where you had been hired by Smith of M. & B. to run a cargo of liquor into Georgia; is that correct?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. You did not have any ICC registration as a carrier, did you, as a contract carrier, an unscheduled contract carrier, to carry that liquor under contract for them?

Mr. LAUDERDALE. No, sir.

Mr. GOLDSTEIN. Do you happen to know offhand, or have you seen any of the trucks carrying contraband, referring to the liquor, with ICC registration?

Mr. LAUDERDALE. I have not.

Mr. GOLDSTEIN. And is it your understanding of the laws relating to motor carriers that unscheduled contract carriers going in interstate commerce do have to file with the ICC?

Mr. LAUDERDALE. That is what I understand.

Mr. GOLDSTEIN. Getting back to the shipment to Georgia, you said that you were to be paid \$4 a case and that Mr. Smith was to make a dollar profit.

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. But when you delivered the liquor, did you find out another arrangement was in effect?

Mr. LAUDERDALE. I did. Mr. Smith sent someone who worked for him or with him, I do not know the exact connection, down to Gainesville, Ga., to make all the arrangements for unloading it and taking care of the money situation. When we unloaded this whisky, we cut the Federal serial numbers off, so that, if any law enforcement officer sees that whisky in the stash, they couldn't run a check.

Mr. GOLDSTEIN. This was in Georgia? This unloading was in Georgia?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. In a dry county in Georgia?

Mr. LAUDERDALE. That is right.

We unloaded it and cut the numbers off in two different spots.

Mr. GOLDSTEIN. The purpose of cutting the numbers off was to prevent tracing the shipment of that particular case through its serial number back to M. & B.?

Mr. LAUDERDALE. That and to keep anyone from tracing and finding out that it was billed Alabama and yet it was sent to Georgia.

Mr. GOLDSTEIN. Is that also true of the shipments that are made in lugs, where they reroute them out of the cartons? That also deletes the serial number?

Mr. LAUDERDALE. Yes, sir. I understand, when all the whisky is taken out of the case, it is a Federal law that they have to destroy the number.

Mr. BURLING. Will you describe the manner in which you cut the serial numbers off? Did you just cut the paper carton on which the number is printed?

Mr. LAUDERDALE. Yes, sir.

You can take a pocket knife and cut along the cardboard and just rip it off.

Mr. BURLING. In other words, the Federal law requires each case of liquor to bear a serial number which can be traced back to a distillery; is that correct?

Mr. LAUDERDALE. I understand that.

Mr. BURLING. Under that, the reason for physically cutting the piece of paper that has the number on it off the case was to make it impossible to trace the chain of ownership of that case of liquor?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. And also to prevent a conflict in the records between the liquor showing up, say in Georgia, where that same serial number appears on an invoice showing a shipment to Alabama?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. When you unloaded at this stash or place in Georgia, did you hear any conversation concerning the payment to this agent of Smith's, or M. & B.'s per case?

Mr. LAUDERDALE. I did. We waited in one room and the people who bought the whisky paid for it in another. The load of whisky itself on the bill—the bill which I had—cost about \$3,973. The people who received it paid approximately \$5,000 for it, which meant that they were getting a fee for hauling it down there that ran about \$10 a case.

Mr. GOLDSTEIN. You were to get \$4 so actually there was some \$600 profit to Mr. Smith and his agent as their commission for the hauling.

Mr. LAUDERDALE. As their commission for making the arrangements.

Mr. GOLDSTEIN. For making the arrangements?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. That \$600 extra cost does not appear on the invoice which would be the company's records on which income taxes and other records would be based?

Mr. LAUDERDALE. That is right. As far as I know, there wouldn't be any record of that \$600 at all.

The CHAIRMAN. Was that a customary sort of arrangement? Is that what other people did, too, at M. & B.?

Mr. LAUDERDALE. I don't know.

The CHAIRMAN. You only know what you did?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. Getting back to the counterfeit-stamp problem, when you and Mr. Argo first discovered that counterfeit stamps were being used in eastern Tennessee, that is, Tennessee revenue stamps, you went under cover shortly after that and contacted Mr. Scott from Mississippi?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. And with Mr. Scott did you make any attempt to investigate the counterfeit-stamps situation?

Mr. LAUDERDALE. Yes, sir. Scott called Cairo and talked with Mr. Smith. He told him that he was going to get back in the business and that he wanted to make some contacts. Mr. Smith referred him to a man in Atlanta.

Mr. GOLDSTEIN. At Atlanta, Ga.?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. Go ahead.

Mr. LAUDERDALE. We arranged a trip to Atlanta, and we made contact with this person and——

Mr. GOLDSTEIN. After you made contact with this person, you made it through Mr. Smith eventually; is that the idea?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. And just to bring the story along, you were in a hotel room with Mr. Argo; is that correct?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. And your friend Mr. Scott was in another hotel room with this man from Atlanta, who was going to meet you on the counterfeit-stamp deal; is that correct?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. Were you in a position so you could overhear the conversation between Mr. Scott and the gentleman from Atlanta concerning the counterfeit-stamp situation?

Mr. LAUDERDALE. I was.

Mr. GOLDSTEIN. Were you able to find out who the person from Atlanta, Ga., was who was involved in the situation?

Mr. LAUDERDALE. I did.

Mr. GOLDSTEIN. What was his name? Does the name Timberlake mean anything to you?

Mr. LAUDERDALE. That is it, Phil K. Timberlake, Jr.

Mr. GOLDSTEIN. Does he have any business in Atlanta, Ga.?

Mr. LAUDERDALE. He has the Central Chevrolet Co., I understand.

Mr. GOLDSTEIN. What conversation took place between Mr. Scott and Mr. Timberlake concerning counterfeit stamps?

Mr. LAUDERDALE. First of all, when Timberlake came into the room, he introduced himself, and Mr. Scott introduced himself. Mr. Scott said that he could be verified by calling Smith in Cairo. Timberlake told him that he had already done so.

I will see if I can remember some of the things.

Mr. GOLDSTEIN. Mr. Argo, did you hear that, too?

Mr. ARGO. Yes.

Mr. GOLDSTEIN. Would you like to carry on, sir?

Mr. ARGO. He said he had some connections in Tennessee. This is Mr. Scott talking to Mr. Timberlake. He said, "I have some connections in Tennessee and I will have to get some counterfeit stamps, because they are 'hot' up there now."

Mr. GOLDSTEIN. Where, in Georgia or in Tennessee?

Mr. ARGO. In Tennessee.

He would have to make some connections on Tennessee stamps.

He said, "As far as I know, a fellow named Big Dick Richards in Savannah, Ga., is handling all the stamps for Georgia, but, as far as Tennessee, you will have to see Mr. Smith, in Cairo, Ill., to get Tennessee stamps."

Mr. GOLDSTEIN. Did he indicate there was a difficulty recently in Georgia on the counterfeit stamps?

Mr. ARGO. Yes, sir. He said Georgia had changed that particular time and they would have their dies set up a month later and would be a month behind, but would soon be able to supply it.

Mr. GOLDSTEIN. Did he indicate there was a place in Illinois where the plates were and the printing was going on?

Mr. ARGO. Mr. Scott asked Timberlake where they were being made in Illinois. He said it is a legal printing company, but the printers go in after hours, in Mounds, Ill.

Mr. GOLDSTEIN. Is that Mounds City, Ill.?

Mr. ARGO. Mounds is a little way from Mounds City.

Mr. GOLDSTEIN. As a result of that information, you went to Illinois then to see if you could get the counterfeit plates for Tennessee?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. You discussed with Mr. Smith the possibility of his obtaining the plates for you; is that correct?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. When you asked Mr. Smith for the counterfeit plates, what sort of a proposition did you make to him and how did he reply?

Mr. LAUDERDALE. Well, I told him that I was interested in getting the plates for this reason, that the State of Tennessee was going to change its stamps if they didn't get some satisfaction about these counterfeit stamps and that, if I could get those plates, I would turn them over to Argo and let Argo give them to Commissioner Evans and that I could get a permit to go through Tennessee and not have any trouble. They didn't like to travel through Tennessee much because we had been seizing some of their trucks.

Mr. GOLDSTEIN. At that time, Mr. Argo was traveling with you; was that correct? Or was it a later period?

Mr. LAUDERDALE. I do not remember exactly. It was right about then.

Mr. GOLDSTEIN. Did Mr. Smith say he would have to take it up with anybody?

Mr. LAUDERDALE. Yes; he said, "Would you mind if Julius Markoff was told who I was?" If I minded if he told Julius Markoff. I told him, "No, I wouldn't mind."

The CHAIRMAN. Who is Julius Markoff?

Mr. LAUDERDALE. He is part of M. & B.

Smith told me that that was what the M stands for in M. & B.—Markoff. I also overheard a conversation one night where they said Markoff was president of M. & B.

Mr. GOLDSTEIN. Smith said he discussed that with Markoff?

Mr. LAUDERDALE. He said he would discuss it.

Mr. GOLDSTEIN. You would discuss it, and Mr. Smith, with Mr. Markoff?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. Did you ever discuss it with Mr. Markoff?

Mr. LAUDERDALE. I did.

Mr. GOLDSTEIN. Was Mr. Smith with you?

Mr. LAUDERDALE. Yes.

Mr. GOLDSTEIN. What did you and Mr. Markoff have to say about the proposition?

Mr. LAUDERDALE. I explained to him the reasons I wanted to get them and it wouldn't do whoever had them any good because they were going to change the stamps and, if I got them, it would do me some good. And he said he would see if he could get them.

I told him I could keep Argo off him. They don't like Argo up there very much, and to keep Argo off them, they would appreciate it.

I told them I would try to keep Argo off them if they could get me the plates. Markoff said he didn't know for sure, but he thought he could.

MR. GOLDSTEIN. So Markoff said he thought he could get you the plates?

MR. LAUDERDALE. That is right.

MR. GOLDSTEIN. He set a date when he could get them for you?

MR. LAUDERDALE. He said it would take him 2 or 3 weeks.

MR. BURLING. I want to be sure that the record is clear and we all understand it. At this time, Smith and Markoff were under the impression that you were a former cop, that you had become dishonest, and that you had connections with Mr. Argo; is that correct?

MR. LAUDERDALE. That is right.

MR. BURLING. And that your promise was that, if they could get the plates for you, which were being used for counterfeiting Tennessee revenues stamps, you could then make a deal with Argo whereby he would leave them alone, he would stay out of Cairo, and you could get a permit to carry liquor through Tennessee?

MR. LAUDERDALE. That is right.

MR. BURLING. In return for the plates?

MR. LAUDERDALE. That is right.

THE CHAIRMAN. What was Mr. Argo going to do with the plates, if you got them?

MR. LAUDERDALE. Turn them over to Commissioner Evans.

THE CHAIRMAN. Why would Mr. Argo want to turn them over to Commissioner Evans?

MR. LAUDERDALE. Why?

THE CHAIRMAN. Yes.

MR. LAUDERDALE. Because we wanted the plates pretty badly.

THE CHAIRMAN. If he was going to change the plates, why would Mr. Argo want to turn them over to Mr. Evans? What would be the incentive for Mr. Evans?

MR. LAUDERDALE. Understand that Mr. Evans never told me he was going to change the plates.

MR. EVANS. Getting the plates is step No. 1 in a counterfeit situation.

THE CHAIRMAN. I know. Maybe there wouldn't be other plates so you wouldn't have to change your stamps. That would be the idea.

MR. LAUDERDALE. So we could make a case. Markoff asked me on three occasions, "Will you assure me if I get these plates for you, there won't be any repercussions?"

I told him I would assure him of that.

THE CHAIRMAN. What kind of stamps do you use, Mr. Evans.

MR. EVANS. Decal stamps. We use small stamps that are pasted on the side of the bottle.

THE CHAIRMAN. Is that called decalcomanias?

MR. EVANS. Decalcomanias, commonly called a decal stamp.

MR. GOLDSTEIN. These negotiations for the plates, however, never resulted in the plates getting in your hands, because eventually your cover was broken before they got into your hands; is that correct?

MR. LAUDERDALE. That is right. Markoff would work there approximately a month and he would leave and Ruby Wishnia would

come in there and work approximately a month and then Markoff would come back.

When this blew up Markoff was not due in town until the 24th of February.

Mr. GOLDSTEIN. Do you happen to know where Mr. Markoff and Mr. Wishnia went on their time off?

Mr. LAUDERDALE. I couldn't say for sure. On one occasion I know Mr. Wishnia was here in Washington.

Mr. GOLDSTEIN. Do you know whether Mr. Wishnia has a phone here in Washington?

Mr. LAUDERDALE. Yes, I do.

Mr. GOLDSTEIN. Could you give me that phone number, please?

Mr. LAUDERDALE. Georgia 3149.

Mr. BURLING. Mr. Chairman, I might say, through the investigating work of these gentlemen, we got his number and traced it through subscribers' investigation, and I sent a man yesterday to try to subpena Mr. Wishnia, but we received word he had just left for Cairo.

The CHAIRMAN. You tried to subpena him in Washington and got word that he had left for Cairo?

Mr. BURLING. Yes, sir.

The CHAIRMAN. Is this number in his name?

Mr. LAUDERDALE. Yes, sir.

The CHAIRMAN. What is the address?

Mr. LAUDERDALE. I don't recall, sir. It is in the telephone directory.

Mr. ARGO. 7700 Eastern Avenue, Apartment 302.

The CHAIRMAN. What does he do here in Washington?

Mr. ARGO. He is vice president of the Foster Distributing Co., Potomac Wine & Liquor Co.

The CHAIRMAN. Is that two companies?

Mr. ARGO. Yes, sir.

The CHAIRMAN. Do you have their addresses?

Mr. ARGO. No, sir; that is all I have.

Mr. LAUDERDALE. They are not listed in the telephone book.

The CHAIRMAN. How did you find that out?

Mr. ARGO. Through the office here.

The CHAIRMAN. What office?

Mr. BURLING. With the committee staff.

Mr. ARGO. We were here with Mr. Goldstein.

The CHAIRMAN. Let's get the names again.

Mr. ARGO. He is listed as vice president for the Foster Distributing Co.

Mr. AVIS. Is that a Washington Company?

Mr. GOLDSTEIN. The Foster Distributing Co. and the Potomac Wine & Beverage are not listed in the Washington directory.

Mr. AVIS. I think Foster is Baltimore. The other I do not know.

The CHAIRMAN. What was the other one?

Mr. ARGO. Potomac Wine & Liquor Co.

Mr. GOLDSTEIN. At a period of time when you were working under cover, Mr. Argo began to accompany you in another car?

Mr. LAUDERDALE. He did.

Mr. GOLDSTEIN. The purpose of Mr. Argo's accompanying you on these occasions was because of a fear that you might be injured due to hijackers?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Has there been much hijacking in this particular trade?

Mr. LAUDERDALE. I have heard of a lot of it.

Mr. GOLDSTEIN. Mr. Argo was trailing you or keeping you under surveillance to protect you during that period of time?

Mr. LAUDERDALE. That is correct.

Mr. BURLING. Just before you leave that, in other words, it was feared that you might be shot or otherwise injured by a hijacker, and Mr. Argo was, in effect, acting as your bodyguard?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Mr. Argo, did Commissioner Evans also tell you to go with Mr. Lauderdale in case someone discovered who he was, to protect him in that event as well as against hijackers?

Mr. ARGO. Yes, sir. On one occasion, Mr. Lauderdale learned in Illinois, in Cairo, that Commissioner Evans had gone to Washington to get a certain bill passed and they told him what time the plane landed. They had connections. So they knew where he lived and what he said in Washington. And Commissioner Evans got in that night, and I called Lauderdale on the phone in Columbus, Miss., and he told me what Mr. Evans said. I in turn called Mr. Evans and he told me that was correct, and he said not to let Lauderdale get out of my sight any more.

Mr. GOLDSTEIN. Do the names Hayes Transport Co. or Roadway Express mean anything to you gentlemen?

Mr. ARGO. Yes; we seized one truck driven by Clay Earls of Martinsville, Va., with a 1949 license plate, T-80-680, that had a phony bill of lading on Roadway and Hayes Freight Line, billed for automobile parts going to Norfolk, Va. He had 155 cases of whisky.

Mr. GOLDSTEIN. Do you have any information or source of information concerning the place where these phony bills of lading for automobile parts were typed up?

Mr. ARGO. No, sir. It was typed up. I wouldn't say where it was typed up. But it showed that it was picked up at the St. Louis Salvage Co., St. Louis, Mo.

Mr. GOLDSTEIN. Do you have any information, or has anyone ever told you what the typewriting on the bill of lading seemed to indicate as the source of the typewriter or the location of the typewriter?

Mr. ARGO. Same as on the original bills from J. B. Wenger.

Mr. GOLDSTEIN. So that these phony bills of lading were apparently also prepared at J. B. Wenger's?

Mr. ARGO. Yes, sir.

Mr. GOLDSTEIN. I would like to get some information, if I might, to tie in with your knowledge, information made available to the committee by various distillers concerning their distributors and their relations to Cairo, Ill. Do you know if Paul Tick of Springfield, Ill., is in any way associated with either M. & B. or Southern Wholesalers?

Mr. ARGO. Paul Tick owns the Central Liquor Co. in Cairo, Ill.

Mr. GOLDSTEIN. Does any of his liquor go into M. & B. or Southern Wholesalers?

Mr. ARGO. They make up their orders from the M. & B. and pick up a brand from Paul Tick along with the rest of the various things.

Mr. GOLDSTEIN. Our records show that the National Distillers Co. lists the Paul Tick Liquor Co. as one of their distributors. Do you know whether any National Distillers products are the ones picked up at Paul Tick's for M. & B.?

Mr. ARGO. I have seen feeder trucks go to Paul Tick and pick up liquor and we seized their truck.

Mr. LAUDERDALE. I have heard them order from Paul Tick and tell them they wanted so many cases.

Mr. GOLDSTEIN. In other words, they do not carry big stocks and, when they get a special order, they call on their wholesalers and pick it up?

Mr. LAUDERDALE. They do not keep stock at all on their floor.

Mr. BURLING. Will you make clear who "they" are?

Mr. LAUDERDALE. M. & B. doesn't keep any stock on their floor at all. They store their whisky. I guess they store their whisky. I have seen the stencils on the top of the cases where whisky has been sent to them, to M. & B. Whisky Co., Inc., in care of Security Warehouse, Cairo, Ill.

Mr. GOLDSTEIN. Who owns the Security Warehouse?

Mr. LAUDERDALE. That is the former J. B. Wenger building. It is my understanding that J. B. Wenger is still in there and that whisky goes through the hands of J. B. Wenger before M. & B. gets it.

Mr. GOLDSTEIN. Have you ever heard of the Central Wholesale Liquor Co. in Cairo, whose president's name is Julian Venessky, and also Hy Rubin?

Mr. LAUDERDALE. I have never heard of that first name. I have heard of Central and heard of Hymie Rubin.

Mr. GOLDSTEIN. Can you tell us something about Mr. Rubin? What have you heard about him?

Mr. BURLING. Before you do that, I might say that Mr. Rubin was given an opportunity to be here. I spoke to Mr. Rubin's lawyer yesterday on the telephone and urged him to come here—Mr. Rubin to come here. The lawyer stated that Mr. Rubin has stated to him that he couldn't get here in time.

The CHAIRMAN. All right.

Mr. BURLING. But he did have notice.

The CHAIRMAN. He had notice; all right.

Mr. GOLDSTEIN. You have also stated, I believe, or it has been stated here before during this morning, that in most cases the Wenger outfit received its liquor from another wholesaler instead of directly from a particular distiller.

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. Do you know whether any of the products of the American Distilling Corp. were ever used on the trucks?

Mr. LAUDERDALE. If you name the brands, I can tell you.

Mr. GOLDSTEIN. Good Old Guckenheimer, Still Brook, Meadwood Bourbon Supreme, Burton's, Old Colony, Old American Brand, and so forth. Are any of those names familiar to you?

Mr. LAUDERDALE. Still Brook.

Mr. GOLDSTEIN. American Distilling Corp. has informed us that one of their distributors is J. B. Wenger in Cairo, and the Central Wholesale Liquor Co., Cairo, Ill. I believe you mentioned them before.

Mr. LAUDERDALE. Yes, sir.

Mr. GOLDSTEIN. Do you know whether products are picked up from Central Wholesale Liquor as well as from Paul Tick by M. & B.?

Mr. LAUDERDALE. I do not know that. I suspect that.

The CHAIRMAN. Tell what you know. What makes you think so?

Mr. LAUDERDALE. If I go up there and turn in an order for 100 cases of whisky, I will have several brands on it. Sometimes I have turned in the order after I have gotten there and sometimes it is called in, and on other occasions, when it was turned in after I arrived in Cairo, they would get on the phone and call these different people around town and make arrangements to pick those brands of whisky up and bring them to the warehouse.

Mr. GOLDSTEIN. Did you also know whether or not the George A. Mueller Co. in Cairo or Springfield, Ill., supplied liquor to M. & B.?

Mr. LAUDERDALE. I do. I have heard Ruby Wishnia call Fred Mueller one night and order 2,500 cases of whisky.

Mr. GOLDSTEIN. I might say at this point that our records show that Brown-Forman Distillers, Glenmore, Schenley, and Sunset, Inc., have listed George A. Mueller & Co. as their distributor.

Do you know if Valley Liquor Co. has ever been involved in these transactions?

Mr. LAUDERDALE. Yes, sir. I have seen some cases when they bring that liquor in there and load it on a truck. There is usually always a stencil on the top with the name of the company where the whisky comes from. I have noticed S. & R. Co., Valley Co. and also Mueller Co. names on these cases, and, when they are loaded on these trucks, they take a knife and strip those stencils off, just as they would do with the serial numbers. I don't know why they do that.

Mr. GOLDSTEIN. I want to say at this point, Mr. Chairman, that our records also show that the Valley Liquor Co. has been listed by Schenley as a distributor, by M. S. Walker of Boston, by Jim Bean of Chicago, Ill., and Sunset, Inc., and Mar-Salle of Chicago, Ill.

Do you have any knowledge of the principal brands that have been hauled during the time out of Cairo, Ill.

Mr. LAUDERDALE. Yes, sir; I can name some of them.

Mr. GOLDSTEIN. I wish you would, please.

Mr. LAUDERDALE. Old Crow, Seagram's Seven Crown, Seagram's VO, Old Charter, Schenley, Calvert's, Old Forrester, Kentucky Tavern, Sunnybrook.

Mr. GOLDSTEIN. Paul Jones?

Mr. LAUDERDALE. Paul Jones, Cream of Kentucky. There are gins and Scotches I couldn't remember.

Mr. GOLDSTEIN. Can you name any of the gins at all? Gordon's?

Mr. LAUDERDALE. Yes; Gordon's.

Mr. GOLDSTEIN. Kinsey?

Mr. LAUDERDALE. I do not know about Kinsey.

Mr. GOLDSTEIN. I might say that our records show that Barton Distilling Co. of Kentucky sells directly to Southern Wholesale Liquor of Cairo, Ill., which you have named as one of the other export houses besides M. & B. in Cairo.

Would you tell us, please, sir, something about the incidents which ended in Alabama for both of you—both you and Mr. Argo? I am

correct, am I not, in saying that you had arranged to take a load of liquor into Mississippi?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. And that you had, shall we say, the correct or present bill head or invoice form indicating that the load was to go to Alabama, to Mr. Scott in Alabama, at Highway 18, I believe west of Vernon, Ala.?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. At that same time you had another invoice made out on an old form, showing you were on your way to Columbus, Miss.?

Mr. LAUDERDALE. That is correct. When I got to Columbus, Miss., I would destroy this old invoice.

Mr. GOLDSTEIN. That was the same arrangement we discussed before, to protect you in Alabama as well as in Mississippi.

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. The reason for that invoice is this—

Mr. LAUDERDALE. The reason is, if your whisky is going through the State of Alabama, they do not have the proper laws that can hold that whisky. We had that bill made up so in case we were stopped in Alabama we could show that bill and the officer who would stop us would let us go.

Mr. GOLDSTEIN. When you got to Mississippi you wouldn't have to pay the so-called black-market tax because your bill showed you went to Alabama?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. I believe you were stopped when you got to Alabama.

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. You were taken into custody by the Alabama officials?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Mr. Argo was also taken into custody, were you not?

Mr. ARGO. Yes.

Mr. GOLDSTEIN. You identified yourselves as officials of the State of Tennessee?

Mr. ARGO. Yes, sir; we did.

Mr. GOLDSTEIN. You were using Tennessee State property in the form of an automobile purchased and owned by the State of Tennessee?

Mr. ARGO. Yes, sir.

Mr. GOLDSTEIN. And the arms you were carrying in the car with you were the property of Tennessee and so labeled the property of Tennessee?

Mr. ARGO. That is right; yes, sir.

Mr. GOLDSTEIN. When you were apprehended, what did you do with the two sets of invoices that you had with you?

Mr. LAUDERDALE. I gave the phony set that we made up—

Mr. GOLDSTEIN. That is the Mississippi set?

Mr. LAUDERDALE. That is right—to this man I later learned to be the sheriff.

Mr. GOLDSTEIN. This is in Alabama?

Mr. LAUDERDALE. That is right. I gave the other bills to Argo who hid them in the car.

Mr. GOLDSTEIN. That was the bill that was made out for Alabama, the original bill on which the records at M. & B. were to be kept; is that right?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. I want to ask you if this is a photostatic copy of the original bill reading "Sold to W. R. Scott, Highway 18, west of Vernon, Ala.," on the letterhead of M. & B. Wholesale Liquor Co. in Cairo, dated February 17, 1951.

Mr. LAUDERDALE. Yes.

Mr. GOLDSTEIN. Do you identify that as a photostat of the Alabama bill?

Mr. LAUDERDALE. I do.

The CHAIRMAN. Let it be made part of the record.

(The above-mentioned document was marked "Exhibit No. 29," and is on file with the committee.)

Mr. GOLDSTEIN. Were these additional papers in handwriting part of your records? They show, for instance, certain cases of whisky and serial numbers, and one sheet is headed "Tick" and another sheet is headed "Meuller," and then there is a listing of the cases in your cargoes. Is this the same one, sir?

Mr. LAUDERDALE. Yes, sir.

Mr. GOLDSTEIN. May that be made a part of the record?

The CHAIRMAN. It will be made a part of the record.

(The above-mentioned document was marked "Exhibit No. 30," and is on file with the committee.)

Mr. GOLDSTEIN. After you were taken into custody in Alabama, did the people at M. & B. become informed of the situation?

Mr. LAUDERDALE. Yes, sir.

Mr. GOLDSTEIN. Were they at all interested in the fact that you had been taken into custody?

Mr. LAUDERDALE. I presume they were; they tried to help us.

Mr. GOLDSTEIN. They tried to help you?

Mr. LAUDERDALE. Yes, sir.

Mr. GOLDSTEIN. After you were released from custody in Alabama, did the people at M. & B. make any attempt to reach you for any reason whatsoever?

Mr. LAUDERDALE. They did.

Mr. GOLDSTEIN. Will you tell us what happened in Nashville when you got home that night?

Mr. LAUDERDALE. Yes, sir.

Let me explain this first. The bills were still in the car. The bills that we have the pictures of were still in the car.

Mr. GOLDSTEIN. The ones made out to Alabama?

Mr. LAUDERDALE. That is right. They got in touch with me by way of telephone and asked me if I had the bills, and I said that I did. They wanted me to bring them up that night.

The CHAIRMAN. Who got in touch with you?

Mr. LAUDERDALE. Smith.

Mr. GOLDSTEIN. That is Smith of M. & B.?

Mr. LAUDERDALE. That is right.

I told them I couldn't bring them up there that night; that I would bring them up there the next day. The reason for this was that they were still in the car and we had to bond the car out before I could get the bills.

He said he would send someone down to get them and so someone parked in front of my house that night, and my phone rang every 30 minutes from 12 o'clock that night until 8 o'clock the next morning.

I slipped out the back door and went with Mr. Argo back to Vernon, Ala., and bonded the car out.

Mr. GOLDSTEIN. Then you got the bills?

Mr. LAUDERDALE. Got the bills.

Mr. GOLDSTEIN. And you had them photostated?

Mr. LAUDERDALE. Brought them back to Nashville and went over to Selmar. I called Smith——

Mr. GOLDSTEIN. You called Smith of M. & B.?

Mr. LAUDERDALE. Yes.

I told him I had car trouble and I would be up later on. In the conversation on the phone I asked him if he wanted the serial numbers too, and he said that he did.

I used that as an excuse for being late, that I had to go to Alabama to get those serial numbers.

We came to Nashville and made pictures of the bill and the serial numbers and invoices.

Mr. GOLDSTEIN. Did Smith tell you what he wanted the bills for, the ones made out to Alabama?

Mr. LAUDERDALE. Yes, sir.

Mr. GOLDSTEIN. What did he tell you?

Mr. LAUDERDALE. They had changed their records on them in Illinois, and they wanted the originals so they could destroy them.

Mr. GOLDSTEIN. They wanted to change their records to show that the shipment was going to Mississippi?

Mr. LAUDERDALE. They had already changed them; that night when I was in jail, I called Scott.

Mr. GOLDSTEIN. Who is Scott?

Mr. LAUDERDALE. He is the man I was supposed to be working for. He called Smith and told them what happened. I found out later they changed their records early, at 4 o'clock in the morning.

Mr. GOLDSTEIN. Who told you they changed their records?

Mr. LAUDERDALE. Mr. Smith told me.

Mr. GOLDSTEIN. At M. & B.?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. Did he indicate that he did it alone or was anyone there who helped him?

Mr. LAUDERDALE. He showed me where he had changed the records. On this heading showing the billing of the whisky to Scott, he changed it to read: "W. R. Scott, Highway 82, west of Columbus, Miss."

Mr. GOLDSTEIN. So instead of Highway 18, west of Vernon, Ala., the records were erased and retyped as Highway 82, west of Columbus, Miss.?

Mr. LAUDERDALE. That is correct. He showed me the triplicate copy of this and said that he and Ruby Wishnia had changed it early Monday morning.

Mr. GOLDSTEIN. Are those the records they give to the State of Illinois? Were those the ones that were submitted to the State of Illinois on which the export tax exemption is granted?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. So those are official records which would go to the State of Illinois that they had falsified by changing in this case?

Mr. LAUDERDALE. I guess those are the records.

Mr. GOLDSTEIN. Those are the records on the Internal Revenue Form 52-B, showing outflow of liquor from a wholesaler. That is the thing on which those records are based.

Mr. LAUDERDALE. I presume they are made up from this triplicate copy.

Mr. BURLING. Is it also true that those records are required to be maintained by Federal law?

Mr. LAUDERDALE. I think so.

Mr. BURLING. Well, we will ask Mr. Avis when he gets on the stand.

Mr. GOLDSTEIN. Do you know what Smith did with that original record and whether there was a phone call to Washington?

Mr. LAUDERDALE. Yes, sir. When I got there with the records that night, he made a station-to-station call to Georgia 3149.

Mr. GOLDSTEIN. That is in Washington, D. C.?

Mr. LAUDERDALE. Yes, sir.

He talked with Ruby and I guess it was Ruby Wishnia. He said they would be in the mail tomorrow in the morning.

Mr. GOLDSTEIN. He was going to send the falsified records up to Ruby in the morning?

Mr. LAUDERDALE. He was going to send the original and the duplicate to Ruby and the triplicate had been changed, which they keep in the office.

Mr. GOLDSTEIN. In other words, Ruby would have the copies as they originally come out for whatever purpose he might see fit to use them?

Mr. LAUDERDALE. That is right. If he wanted to destroy them so they couldn't have evidence against him to show where he changed the books—

Mr. GOLDSTEIN. It would be fair to say that Ruby wanted to satisfy himself that the records had been turned in, so there would be no trouble for him?

Mr. LAUDERDALE. That is correct.

Mr. BURLING. Mr. Argo, have you ever been in the State of Mississippi in a room in which large quantities of liquor were stored?

Mr. ARGO. Yes, sir; I have.

Mr. BURLING. Describe the place and the room, if you please.

Mr. ARGO. On one particular instance someone referred to Nam-Muse, Jackson, Miss., loaded in Cairo, Ill., on Sunday night. We waited for him in Memphis, Tenn., on the following morning. He must have become suspicious of us because he laid over until Wednesday. I flew there, into Jackson, Miss., and described the truck and also gave them the number on it, and the tax collector's office in Jackson, Miss.—

Mr. BURLING. To whom did you describe the truck?

Mr. ARGO. To the chief enforcement officer there, in Miss Bailey's office.

Mr. BURLING. Who is Miss Bailey?

Mr. ARGO. Miss Bailey is the State tax collector, and Mr. Battle is the chief enforcement officer.

He asked me if I knew the truck, and I said, "Yes." He said there was a place called the Gold Section and that it might be out there, I should see if I could identify it.

We drove out there and it was backed up to a two-car garage which was Muse's place, as I was told. He had whisky stacked there over my head in this garage. They couldn't get the car in. They were backing it in there. They had 800 to 1,000 cases.

He said, "Did you ever see their retail place?"

I said, "No, sir."

He showed me that place. The place was built like a whisky store and had whisky sitting on the shelves with the prices around the bottles.

Mr. BURLING. Was the door wide open?

Mr. ARGO. Yes, sir; wide open. He said, "That is our dry county in Mississippi."

Mr. BURLING. You were accompanied by whom?

Mr. ARGO. Mr. Battle.

Mr. BURLING. He is the chief enforcement officer?

Mr. ARGO. Yes, sir.

Mr. BURLING. For the black-market tax?

Mr. ARGO. Chief deputy for the State of Mississippi.

Mr. BURLING. What action did this law-enforcement officer take when he saw 800 to 1,000 cases of whisky stacked in the garage?

Mr. ARGO. He explained to me the set-up in Mississippi and told me they couldn't do anything as long as they paid the \$3 black-market tax. He said, "You have to see the sheriff if they operate in the county." They couldn't seize it or close it up or anything.

Mr. GOLDSTEIN. At the present time, M. & B. instead of using feeder trucks that are disguised use feeder trucks which bear the legend "M. & B." on their sides?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. They still operate on the convoy system? They load up, meet at some rendezvous with their convoying cars, and they meet the truck to carry it into the other States and transfer it from the truck marked "M. & B."?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Does Southern Wholesalers have trucks of that sort?

Mr. LAUDERDALE. That is right.

Mr. GOLDSTEIN. They are marked "Southern Wholesalers"?

Mr. LAUDERDALE. Yes, sir.

Mr. GOLDSTEIN. Their operations are substantially similar to the operations you have described for M. & B.?

Mr. LAUDERDALE. That is correct.

Mr. GOLDSTEIN. Do you have information as to the names of the persons associated with Southern Wholesalers?

Mr. LAUDERDALE. Southern Wholesalers will also be spoken of as Hymie's place.

Mr. GOLDSTEIN. That is a rather new outfit, isn't it?

Mr. LAUDERDALE. I do not know how new it is. They weren't doing any business when we were working on J. B. Wenger there. I think that Southern was open a while before they reopened. They were closed for a while.

Mr. GOLDSTEIN. I have no further questions.

Mr. BURLING. Mr. Argo, I show you a photograph and ask you if that relates to a seizure of a truckload of whisky by you.

Mr. ARGO. Yes, it was. It was loaded in J. B. Wenger Co. in Cairo, Ill. It was seized in Sullivan County, Tenn.

The CHAIRMAN. Will you describe that picture? We will make it part of the record. Will you tell what the picture shows?

(The above-described picture was marked "Exhibit No. 31," and is in the files of the committee.)

Mr. ARGO. That was a truck trailer, commonly known to us as a feed-and-grain trailer, flat bed, in other words. This whisky was in a false bottom. The whisky was lugged in lugs and placed in and the top put down and it looked as if it were empty. There were 125 cases in there.

Mr. BURLING. How did you succeed in detecting these?

Mr. ARGO. I had information that he was going, and I figured his running time and figured how long it would take him to run to Illinois, how long it would take him to load and get back. We caught him that night. He was due in.

The CHAIRMAN. I understand these trucks they use are poultry trucks or any kind of truck. Do they disguise the name on the side of them?

Mr. LAUDERDALE. The ones hauling to these dry areas do. They disguise them as numerous things.

The CHAIRMAN. How is the poultry truck disguised? Do they have chickens around it or just the names?

Mr. LAUDERDALE. I don't know about that truck.

The CHAIRMAN. Can you tell us about the poultry truck?

Mr. ARGO. Yes, sir.

The CHAIRMAN. How about it?

Mr. ARGO. They would put the chicken coops around the sides with chickens in it and make a false bed inside and load the whisky inside, and all you can see from the outside are the chickens. However, we weren't able to catch that particular truck, but I saw it loaded occasionally in Illinois.

The CHAIRMAN. But you saw that truck being loaded up?

Mr. ARGO. Yes, sir.

The CHAIRMAN. How many cases could you carry on the side where the chickens were?

Mr. ARGO. About 400.

The CHAIRMAN. What were some of the other disguises they used?

Mr. ARGO. They used the Southern Creosote Co. They used R. O. Watson Produce Co. They used Southern Containers, Inc., and Triangle Paper Co., and a lot of others. They had a load of goats and had whisky concealed like this, with a load of goats on top of it. They had this trip in the bottom that hauled 150 lugs and had a load of goats on top of that.

The CHAIRMAN. They would put this under the floor and put the goats on top of the floor?

Mr. ARGO. That is right.

The CHAIRMAN. Did you know an Indian by the name of Lubess who worked out of Cairo for one of these companies?

Mr. ARGO. I know of him.

The CHAIRMAN. We were out in San Francisco and he told about the same kind of operation in Oklahoma.

Mr. ARGO. They also have lumber trucks. They load lumber trucks with short pieces about 2 feet long, and they put about 400

cases of whisky, and then put the lumber on top of that, and it looks like a solid load of lumber.

The CHAIRMAN. Back at the end of the truck they had short pieces of lumber, but it looked like it was all lumber?

Mr. ARGO. Yes, sir.

The CHAIRMAN. Mr. Avis, you have been very cooperative in helping us work out these problems.

Are there any questions or answers that would be of information to you about these activities that you would like to ask?

Mr. AVIS. Well, I can get all of this, Mr. Chairman, and I have listened to this with a great deal of interest, I assure you.

The CHAIRMAN. I know Mr. Evans will arrange to stay over and talk to you, Mr. Avis.

Mr. AVIS. Yes, he is very cooperative in every respect. I am certain that we can get this evidence, and it will all be made available.

The CHAIRMAN. I do not know whether right now there was any matter you wanted to ask about.

Mr. AVIS. I do not want to take any time.

The CHAIRMAN. Are there any other questions?

Mr. GOLDSTEIN. No, sir.

The CHAIRMAN. Well, I just want to say—

Mr. JAMES C. EVANS. Mr. Chairman, if I may interrupt you, do you contemplate closing now?

The CHAIRMAN. No, we are going to have Mr. Avis testify.

Mr. JAMES C. EVANS. I have another witness, Mr. Neal Evans, who is no relation, although I would be glad to claim him as a relation, who is the ATU agent who works out from around Tennessee, who is assigned out of Mr. Farrell's office, Mr. Farrell being the Kentucky-Tennessee supervisor; I had in mind his testifying as to particular types of operation. But I mean, your testimony would be cumulative, Mr. Evans, and I do not see any reason in belaboring the committee with piling it up, and I hope you will pardon me for your having made a trip up here.

The CHAIRMAN. Well, Commissioner Evans has stated you are very helpful.

Mr. JAMES C. EVANS. He has, and the figures in Tennessee show that.

The CHAIRMAN. I think since he is here, he ought to make a short statement, and if he will, we will have him do so.

I just want to say at this point that I am very much impressed with the seriousness and effectiveness of the actions of the commissioners where the commissioners of these States who have testified here today, have gone after this problem. Particularly, I think, it would be understandable, with pardonable pride, if I especially compliment Commissioner Clarence Evans, who has been working with our crime committee for many, many months, as I said before, and these enforcement officers who have testified here, for the action they have taken, over and above the ordinary call of duty in trying to get at this liquor problem, and also this stamp problem.

You have performed a very excellent service, and you have done it mighty well, and you have directed it splendidly, Mr. Evans.

We hear so often of enforcement officers who are lax and who seem to be indifferent about law violations that go on, so that it is illuminating and encouraging to see enforcement officers who do a whole lot

more than may be expected of them. I know that we do have a lot of bad situations in the South, and certainly we have in Tennessee, but if this activity is representative of the desire of officials, I do not think we have anything to fear.

So, we are very grateful to you for coming up. We may want to ask you some more questions off the record later on.

Mr. Evans, we would like to hear from you briefly. Will you come around, sir.

Mr. NEAL EVANS. There is nothing that I can add, sir. The only thing that I can say is that I have given my time to assist the State of Tennessee in any way I could with their liquor problems, and in my humble way, I have done the best thing that I could with them.

The CHAIRMAN. Mr. Evans, were you given the assignment by—

Mr. NEAL EVANS. By Mr. Fred Farrell, who is the District—

The CHAIRMAN. Mr. Evans, do you swear the testimony you give this committee will be the whole truth, so help you God?

Mr. NEAL EVANS. I do.

TESTIMONY OF NEAL EVANS, SPECIAL INVESTIGATOR, ALCOHOL TAX UNIT

The CHAIRMAN. What is your official position?

Mr. NEAL EVANS. Special investigator, Alcohol Tax Unit.

The CHAIRMAN. And you were assigned by Mr. Farrell, the district supervisor at Louisville, to help Mr. Evans, the commissioner of finance and taxation, with the Tennessee liquor problem; is that correct?

Mr. NEAL EVANS. I was.

The CHAIRMAN. You heard most of his testimony about the activities of M. & B., and these companies at Cairo?

Mr. NEAL EVANS. I have; yes, sir.

The CHAIRMAN. Does the testimony here fit in with the information you have and what you know about it?

Mr. NEAL EVANS. It does; yes, sir. It is all substantially correct, as far as my investigation is concerned.

The CHAIRMAN. What sort of Federal license does this M. & B. and these people have?

Mr. NEAL EVANS. I do not know; that is in another district, and I assume they have a regular wholesaler's license.

The CHAIRMAN. Tennessee is in the district of which Louisville is the principal office; is that correct?

Mr. NEAL EVANS. That is correct. That is the seventh district, comprising the States of Tennessee and Kentucky.

The CHAIRMAN. And Illinois is in the district of which Chicago is the principal office?

Mr. NEAL EVANS. That is district 9; yes, sir.

The CHAIRMAN. How long have you been working with Mr. Clarence Evans on this problem?

Mr. NEAL EVANS. About 2 years now, nearly 2 years.

The CHAIRMAN. Mr. Evans, is there any particular point you feel we should bring out with this Mr. Evans? You told us about how cooperative he has been, and how helpful he has been.

Mr. JAMES C. EVANS. Mr. Senator, Mr. Neal Evans assisted us and more or less taught us how to go about investigating and how to go about investigatory work. In numbers of instances he brought us in information which was most valuable in curtailing this traffic.

As I said, his testimony would be cumulative as to the phonies that have been called RLD, as to their type of transactions, and so on.

Now, there was one particular case I remember, the Wayne Morris case, that Neal did an extremely great amount of work on; but that is a typical operation, and I do not believe we need to go into the details of it.

The CHAIRMAN. Well, as a man in the field, Mr. Neal Evans, what practical steps do you think Congress can take to strengthen the laws so as to help eliminate this sort of thing? Of course, I know that recommendations are supposed to be made through channels.

Mr. NEAL EVANS. Yes, sir.

The CHAIRMAN. I will not ask you that question if—

Mr. AVIS. That is all right, let him answer it. I beg your pardon. [Laughter.]

Mr. NEAL EVANS. Well, if Mr. Avis will permit me, in my humble opinion it seems to me like the most—

The CHAIRMAN. Please speak louder.

Mr. NEAL EVANS. In my humble opinion it would seem to me that the simplest and most inexpensive enforcement would be to pass legislation to the effect that no distiller, rectifier, or wholesaler could ship from one State to another in interstate commerce without the tax on the whisky being paid at the source. That would prevent whisky crossing the lines without—

The CHAIRMAN. Something along the line of the Camp bill?

Mr. NEAL EVANS. In other words, the Federal Government should collect this tax at the source. It would be the same thing.

The CHAIRMAN. Are there any other questions? I know Mr. Avis speaks for the Department.

Mr. Goldstein, do you have a question?

Mr. GOLDSTEIN. No, sir; I do not.

The CHAIRMAN. All right, thank you very much, Mr. Evans.

Mr. Avis, you trade places with the people sitting in the witness chairs, and let us get him across the table so that we can all talk louder.

Mr. Avis, you swear the testimony you give this committee will be the whole truth, so help you God?

Mr. AVIS. Yes, sir.

The CHAIRMAN. Mr. Avis, do you want to make any general statement about the problem and then we might have some questions afterward? I might say, by way of a preliminary statement, that at a later time, after some personal observations are edited slightly, the hearing of November 8, 1950, in which Mr. Avis testified at considerable length, will be made public; but we would be glad if you would like to make a general statement about the problem and about what has been done, and what proposals you have, Mr. Avis.

TESTIMONY OF DWIGHT E. AVIS, ASSISTANT DEPUTY COMMISSIONER, ALCOHOL TAX UNIT, UNITED STATES TREASURY DEPARTMENT, ACCOMPANIED BY ROBERT B. RITTER, ATTORNEY, ALCOHOL TAX UNIT

Mr. AVIS. Mr. Chairman, if you could give me some idea of how much time I should take, I will try to mold my statement to meet the time.

I have no prepared statement, and what I have to say will be—do you want me to try to finish in 15 minutes? If you do, I will.

The CHAIRMAN. We do not want to rush you, and you take all the time you want.

Mr. AVIS. First of all, Mr. Chairman—

The CHAIRMAN. You are Dwight E. Avis, Acting—

Mr. AVIS. No; I am Assistant Deputy Commissioner.

The CHAIRMAN. Assistant Deputy Commissioner, Alcohol Tax Unit, Bureau of Internal Revenue, in charge of enforcement.

Mr. AVIS. Yes. I have the law enforcement end.

The CHAIRMAN. All right, sir.

Mr. AVIS. Mr. Chairman, first of all, I want to say this: The Alcohol Tax Unit would welcome a solution—that is, a legislative solution—of this export problem, if there is any solution to it.

Now, it is not anything new. This export problem has been with us since the repeal of national prohibition, and this is a sordid story that has been portrayed here today, but it is not anything new.

Now, the details are new, but this export traffic has existed, as such, since the repeal of national prohibition.

Now, some of the wholesalers—in fact, I would say most of them—that are, should I say, involved or conducting this export traffic abide with the Federal internal-revenue laws. In other words, they keep records of the consignee and the consignor, as required by the statutes. That is what we call a 52-A and B record. That is, they keep a correct one.

Now, it is obvious here from the testimony that there is falsification, and you might describe this export traffic as a racket, because law violators are involved in it. By that, I mean the law violators in these dry States, and in these local-option counties who come up to the so-called border export houses and buy this liquor at the export house or at the wholesaler's place of business, are law violators, and to that extent it is conducted as a racket; and that is clearly apparent from the testimony here today, and there is no need for me to reemphasize that.

I think it is very pertinent to first look at the history of this traffic.

I think the first State to enact an export law was Illinois, and I think it was followed by Maryland and then Louisiana, and more lately Arkansas.

Now, there is not any question, and it is very apparent in the Arkansas situation, that some of these export laws, if not all of them, were enacted for the purpose of enabling the liquor dealers in these wet States to get this dry-State and local-option business.

Now, there is no question about it at all, and in the case of the Arkansas statute, as Mr. Hewitt, I think, can verify, that statute was enacted for the purpose of getting the Oklahoma business. In other words, the shortest haul was to Arkansas rather than Illinois or Louisiana.

You know, the Arkansas and Maryland statutes are inoperative by virtue of regulations or administrative construction on the part of State officials, but they can be changed at the stroke of a pen.

The CHAIRMAN. They are not operating now, but they can be changed?

Mr. AVIS. No; they are not, but they have, and it can be changed, as I say, with the stroke of a pen, with a change in administration or a change in policy.

Now, I think that we ought to admit this: That the situation that you have here is one in which several States, wet States, have enacted statutes which permit law violators from dry States and from local-option counties in wet States to buy tax-paid liquor.

Now, that is the situation, and that is the reason that we have got this traffic. Now, let us see what jurisdiction the Federal Government has got here.

The twenty-first amendment contemplated, if I am correctly advised, that the States be allowed to control the liquor traffic within their borders. It also provided for a Federal protection for the dry States.

Now, the Congress, in all its wisdom, in enacting the Liquor Enforcement Act of 1936, narrowed by statute this protection of the dry State when they said, in effect, that the Federal Government will give the dry State protection if the dry State enacted a permit law. In other words, the permit law was a condition precedent to the operation of the Federal statute.

Now, under that law, Oklahoma qualified and later Kansas. Of course, as you all know, Kansas has repealed its prohibitory laws now, and I will deal with this Oklahoma situation a little bit later, because it is a situation in itself.

Now, I want to make this point.

The CHAIRMAN. Just tell us what you mean by "a permit law," Mr. Avis.

Mr. AVIS. A permit law, Mr. Chairman, is an enactment of a statute which would set up a permit system. In other words, liquor would have to be transported under permit, and if they did set up such a law, why, then we would have jurisdiction; yes, a permit for importation into the State.

The CHAIRMAN. Or transportation across the State.

Mr. AVIS. Yes; that is right.

Now, I want to point out that—

The CHAIRMAN. I am sorry, I know your name, but I do not recall it.

Mr. AVIS. This is Mr. Ritter. He is an attorney.

Mr. RITTER. My name is Robert B. Ritter.

The CHAIRMAN. Mr. Ritter appeared with us at our previous meetings.

Mr. RITTER. No; someone else.

The CHAIRMAN. Sir?

Mr. RITTER. Someone else.

Mr. AVIS. I wanted to point out, Mr. Chairman, that the jurisdiction that the Alcohol Tax Unit, Bureau of Internal Revenue, has is dependent, first, as far as the dry State is concerned, on the enactment of the permit law that the Federal statute requires; and, second, as far as these local-option States, on an enforcement of the revenue statutes.

Now, there are two statutes that have the application; one that requires the payment of a special tax to engage in the wholesale liquor business.

The CHAIRMAN. That is the \$27.50?

Mr. AVIS. No; that is the retail.

The CHAIRMAN. The retail.

Mr. AVIS. The wholesale is \$110; and the other is the requirement—I think it is section 2807 of the Internal Revenue Code, which requires the wholesaler to keep records of his transactions.

If he fails to keep them or if he falsifies them, then he commits a Federal offense.

Now, we pointed out to the committee in a letter under date of October 3, 1950—I do not seem to find it, but we said in substance that these revenue statutes—I have it here, and we said this—

The CHAIRMAN. At this point, let us make the whole letter a part of the record. Is there any objection?

Mr. AVIS. Not at all, sir, Mr. Chairman.

The CHAIRMAN. And then you may read from any part of it.

Mr. AVIS. I would kind of like to have my copy, Senator.

The CHAIRMAN. Well, we have one, and we will put it in the record.

Mr. AVIS. Suppose I put it in; you may have trouble locating it.

The CHAIRMAN. Let us put yours in and we will send it back to you.

Mr. AVIS. We said this—I am not going to read it, but just a short paragraph:

The penalties set out in the statutes referred to are regarded as adequate for revenue purposes. These laws, however, were never designed to protect the local-option State, nor will their enforcement stop the flow of liquor into dry counties from wet counties within the State or from outside the State.

(The letter referred to follows:)

HON. ESTES KEFAUVER,

*Chairman, Special Committee To Investigate Organized
Crime in Interstate Commerce,*

United States Senate, Washington, D. C.

My DEAR SENATOR: This is with reference to your communication of September 5, 1950, directed to Mr. Carroll E. Mealey, Deputy Commissioner, Alcohol Tax Unit, in which you indicate that your committee is interested in the interstate traffic in tax-paid distilled spirits, particularly as it may relate to operations of organized criminals.

As you are aware, since the repeal of the eighteenth amendment and the National Prohibition Act, the jurisdiction of the Federal Government over the interstate traffic in liquor has been confined within three channels: First, the protection of dry States; second, the collection of internal-revenue taxes on spirituous, vinous, and malt liquors; and, third, protection of the consumer and the prevention of unfair trade practices under the Federal Alcohol Administration Act.

To provide for the protection of dry States, Congress enacted the Liquor Enforcement Act of 1936. By the terms of this act, it was necessary for a State to pass certain enabling legislation which would prohibit imports generally or provide a permit system. The States of Kansas and Oklahoma originally qualified for such protection, and during the period the Liquor Enforcement Act was applicable the Alcohol Tax Unit apprehended and prosecuted hundreds of interstate transports. Kansas repealed its prohibition amendment and laws in 1948 and became a wet State. The Liquor Enforcement Act was no longer applicable.

Oklahoma, though constitutionally dry, repealed its enabling statute in 1947, and from that time until 1949 the Liquor Enforcement Act was not applicable to traffic into Oklahoma. In 1949 the Oklahoma Legislature again enacted what the State attorney general ruled to be enabling legislation. The Alcohol Tax Unit again undertook the enforcement of the Liquor Enforcement Act. Cases were made in all three of the judicial districts in the State. The judges in two of the districts ruled that the latest Oklahoma statute did not meet the requirements of the Liquor Enforcement Act and that the act was not applicable

to traffic into Oklahoma. These cases have been appealed and are awaiting the decision by the Tenth Circuit Court of Appeals. Mississippi, another dry State, has never qualified for Federal protection.

The Bureau's principal remedy in aid of tax collections, insofar as the traffic in tax-paid liquors is concerned, is the prosecution of wholesalers who carry on business without payment of the occupational tax, who fail to keep proper records, or who falsify their records (violations of secs. 3250, 2857, I. R. C.). These sections have been used, where applicable, in the prosecution of those engaged in the practice of selling to dealers from monopoly or local-option States.

The files of the attached list of cases will furnish the names of persons who have been engaged in interstate traffic in violation of Federal law during the last 10 years. Only the principal defendants connected for the most part with wholesale liquor dealers have been listed.

As to the operations of the J. B. Wenger Co., wholesale liquor dealer, Cairo, Ill., to which State Revenue Commissioner Evans referred, the Alcohol Tax Unit has caused indictments to be returned against J. B. Wenger in both the northern and southern judicial districts of Mississippi; and a third case, in the southern judicial district of Illinois, involving, in addition to Wenger, the Baltimore group—Winer, Markoff, Wishner, Gildar, et al.—is now ready for submission to the United States attorney. This case involves a conspiracy to falsify records in connection with the sale of liquor to customers from North Carolina and one or two other States.

The Bureau is fully conversant with the objective of Commissioner Evans in Tennessee; and the district supervisor of the Alcohol Tax Unit, Louisville, Ky., has cooperated with him to the end that the State liquor tax might be collected in its entirety.

The Bureau has no facts to indicate that the group referred to by Commissioner Evans is financed by the persons named. A. T. McAbey and Sol Auslander, referred to in this connection, have been associated with the interstate traffic for more than 10 years. Insofar as is known, neither has any financial interest in any wholesale liquor-dealer establishment at the present time, although they are profiting from this traffic, probably through some brokerage arrangement. Both have been convicted of Federal liquor-law violations. Joe Davis, also referred to, is connected with the Seagram Distilling Co. in a sales capacity.

The penalties set out in the statutes referred to are regarded as adequate for revenue purposes. These laws, however, were never designed to protect the local-option State, nor will their enforcement stop the flow of liquor into dry counties from wet counties within the State or from outside the State.

Very truly yours,

GEO. J. SCHOENEMAN, *Commissioner.*

Mr. AVIS. In other words, these are revenue statutes passed a great many years ago for the purpose of enabling us to trace liquor for tax purposes, and never designed or intended to stop the flow of liquor into dry States or into local option counties, and their enforcement will not do it at all.

Now, that is the limit.

Mr. BURLING. May I interrupt? I would like to get, if I have your permission, Mr. Chairman, I would like to get your ideas a little more clear on the record as to why, if the enforcement of the laws requiring truthful statements concerning consignees was effected, why that would not go a long way in cutting down the export trade since the commissioners of the State could then check to see where the liquor was going.

Mr. AVIS. Well, the State of Mississippi is using those records to collect the 10 percent black-market tax and they are doing an awful good job of collecting it and finding it very applicable. As a matter of fact, in order to satisfy the United States attorney here about a year ago I had the records of the largest exporter in this business investigated, and he sells largely to Oklahoma and Mississippi. It took us about 3 months to do it but to satisfy him, I had every transaction in-

vestigated, and the net result was that we practically traced every shipment and the records were accurate, and they were true.

Now, in other words, as far as the State of Mississippi is concerned, there is not any reason to falsify the records except to defeat the 10 percent black-market tax, and in most instances, I would say, that the records are not falsified and that the tax is collected.

The CHAIRMAN. Now, Mr. Avis, these commissioners here, particularly one from Georgia and North Carolina, said they had a whole list of names, and all of them were falsified, and that that was the usual practice.

Mr. AVIS. I was addressing myself to Mississippi.

The CHAIRMAN. Yes, sir.

Mr. AVIS. And do not misunderstand me, Mr. Chairman, there have been falsifications involved here, there is no doubt about that at all.

The CHAIRMAN. Do you revoke their license when they falsify records?

Mr. AVIS. We proceed against their permits, and we proceed criminally also; and that is if the Department of Justice does not compromise the case, why, in that event, that prevents us from proceeding against the permit.

The CHAIRMAN. Well, how about these fellows here. Have you ever proceeded against them?

Mr. AVIS. I am coming to that situation. Do you want me to come to that now?

The CHAIRMAN. Go ahead.

Mr. AVIS. I would like to make this general statement, if I can.

The CHAIRMAN. Yes.

Mr. AVIS. Now, I have pointed out here what our jurisdiction is with reference to the dry State, and I pointed out what our jurisdiction is with reference to the local option State.

I would like to deal with, just most briefly, the Mississippi and the Oklahoma situations, and then I will come to Georgia and Tennessee, and if you want me to take the time, I think it is necessary to a full understanding of this situation.

In Mississippi, at the State level, they have a 10 percent, which has been described as the black-market tax, which is nothing more than a sales tax in which they collect, and in which they use our records from wholesalers primarily in Louisiana, because that is the short-haul to collect, and it is a dry State, constitutionally dry, but they are interested in taxes at the State level, and not prohibition, and that is the situation there.

Now, that becomes important. You might ask why is that important? When you consider legislation, if you take the basic proposition that the States are entitled to regulate the liquor traffic in the State, then when you start to consider legislation which is going to meet the situation in Mississippi, Oklahoma, Tennessee, Georgia, and these other States, you have got to determine what the State's attitude is, and I think that Commissioner Evans thoroughly understands that.

Mr. JAMES C. EVANS. I do agree with you.

Mr. AVIS. Because we have discussed it.

Mr. JAMES C. EVANS. I understand.

Mr. BURLING. May I interrupt you? I just want to get this clear. Would it be your position or your assumption that the State of Mississippi is not trying to—

Mr. AVIS. For all practical purposes at the State level, I would say, to each State; that is a pretty broad statement. In other words, they are taxing liquor and collecting it. I think Mr. Argo here referred to the State tax collector, I believe, going in there with a large quantity—I believe that was the testimony—

Mr. BURLING. He said eight hundred to a thousand cases.

Mr. AVIS. And, of course, that is confirmation of what I am saying. It is hard to believe, but that is the situation.

Mr. BURLING. Is it your position, then, that the bill that, I believe, you assisted in drafting—

Mr. AVIS. Yes; I will deal with that if you will permit me.

The CHAIRMAN. Let us permit Mr. Avis to continue.

Mr. AVIS. I do not want to delay this thing, and I have talked already for 15 minutes.

The CHAIRMAN. You go along in your own way for awhile, and we will not ask any questions.

Mr. AVIS. Now, in Oklahoma, let us see what the situation is there. They complied with the Federal statute in 1937 or '39, in enacting enabling legislation. We prosecuted practically all the large violators in that State, and it is a matter of court record.

In 1947 they repealed their State law. That meant that the Federal law was no longer applicable.

We then began to enforce the internal-revenue laws in the State of Oklahoma, and qualified these liquor dealers, these violators, these bootleggers, if you want to call them that. In other words, we sort of legitimized them. In other words, we made them pay a special tax, made them keep records as wholesale liquor dealers, because the law says, and it makes no distinction between, as far as taxpayers are concerned, whether they are criminals or legitimate businessmen, so we qualified them as best we could, and that is some undertaking in itself.

Next, the legislature passed another law, and there is some doubt as to whether or not it was enabling legislation, but the State attorney general held that it was. So we started to enforce the Federal law again, and these people that we qualified, then all went underground.

Then, the Federal court, and after 8 months, and it went clear to the Tenth Circuit Court, held that it was not enabling legislation, so we are now engaged in requalifying under the internal-revenue law the violators in Oklahoma, if you want to describe them as such.

Now, right now the wets and the drys in the State legislature in Oklahoma are slugging this thing out as to whether or not they are going to have another enabling act, and if they do, then the Federal law will be applicable again, and we will go through the same thing all over again.

Now, the difficulty with that proposition, Mr. Chairman, is, as a law-enforcement proposition, and from the point of view of the prosecutor in the courts, that you become less effective every time you change the situation. It just is bound to be that way, and that is the history of it.

Now, Georgia, I want to say this: that Mr. Redwine is really trying to enforce his law, there is not any doubt in our minds about that.

The CHAIRMAN. He impresses me very favorably.

Mr. AVIS. Yes; and he is interested in maintaining local option, as I understand it, keeping this liquor out of these dry counties.

Now, in Tennessee, Mr. Evans has frankly told you here that he is the revenue commissioner, and he is trying to get the taxes out of this traffic. In other words, if it is going to exist, he wants to get the taxes out of it, and I think he is entitled to it, and we have been cooperating with him in every way to the end that the State of Tennessee can collect its taxes.

Now, North Carolina, I think that situation is somewhat similar to that in Georgia. Mr. Winston is endeavoring to enforce his law, and the State bureau of investigation is trying to make cases where liquor is transported into the local-option counties.

South Carolina has still another situation. They have a county-store system, and in this bill that we have drafted, it does not take care of their situation.

Now, I will deal with the bill just very briefly. That bill, I might say, was drafted in the Alcohol Tax Unit after we had had several conferences with the State administrators in an effort to try to let the States control their own situation, whether they are interested in revenue or whether they are interested in State prohibition or local option, or whatever it is, by providing a way, through action of the legislature, in setting up of a permit system whereby they could get some Federal protection.

Now, it is the nearest thing that we have been able to determine that would in anywise give these State administrators the revenue that they want.

I do not know, and I want to be frank about this thing, whether it can be enforced or not. We did a pretty good job on the Liquor Enforcement Act in Oklahoma, although the road was going in at every section line, and you just could not keep liquor out, but we did prosecute a lot of people, and undoubtedly did restrict it.

I think the effect of that bill was probably that it eliminated this border wholesale situation that you are talking about, but it will spread to the retail outlets, there is not any question about that. Instead of hauling 500 or 300 or 400 cases, why, it will be 10's and 20's and 30's, and there is a great number of retail outlets where liquor can be purchased, and I say this bill would require considerable personnel to do any kind of an enforcement job, and an extremely difficult one, and because this whole picture, while it has its revenue aspects, from the point of view of the States, and particularly those States that are interested in revenue, and certainly the Federal Government has got a revenue stake in this thing, basically it involved a prohibition situation, because it is the demand in these dry States and in these dry counties that furnishes the impetus for this traffic.

Now, I spent some 3 hours in the last, less than 2 weeks before the Ways and Means Committee in connection with the proposed increase in the liquor-tax rate from \$9 to \$12, and I spent considerable time explaining to that committee why we still had so much moonshining, so much illicit distilling, so much tax-paid liquor in the Southern States.

Now, it is in that area where we have this moonshine and this illicit distilling that most of this tax-paid liquor that is involved in this

export traffic is going, and if there has been lack of vigilance on the part of the Federal Government here—and I have explained just what our limited jurisdiction is—it is due to the fact that this is tax-paid liquor, and it is going into an area where there is a great deal of non-tax-paid production.

I don't say there is any lack, but I say that if there is.

Now, coming to this—well, first of all, let me give you some figures here. There has been a lot of discussion about dollars and cents here, and how much liquor is either imported into or exported from these various outlets.

In the month of December our figure shows pretty nearly 35,000 cases to Oklahoma, 54,000 cases to Mississippi, 7,000 cases to North Carolina, 2,300 cases—did I give you the South Carolina figures?

The CHAIRMAN. No, sir. You had North Carolina.

Mr. AVIS. 2,300 cases to South Carolina, 1,091 cases to Georgia, 2,356 to Alabama; and then there is Mississippi—well, 1,200 to West Virginia, and a smaller amount, 503, to Arkansas; 418 to Kansas, 698 to Texas.

Now, we don't keep a record on these other States, but the purpose of this record is to give us as much insight as we can get from the records of these wholesalers as to this traffic, and I want to deal also with the Louisiana situation.

Now, it has not been discussed here, but we have quite a few wholesalers in Louisiana who are also involved in this export traffic. They operate from Shreveport, La., supplying the Oklahoma traffic; Tallulah, La.; Delta, La.; Bogalusa, La.; Galvez, La.; New Orleans, and in a miscellaneous group from other Louisiana points.

Don't misunderstand me, please, that these wholesalers are all engaged in falsification of the records. I am just talking about the export traffic, because you can conduct it and make a true record or you can conduct it and make a false record. When you make a false record you violate the Federal statutes. Now, that is your situation in Cairo.

I want to just interject to say on this bill that I think Mr. Evans made that point, but I was not here, that we haven't got Treasury approval on that; we have not submitted it, but we did draw it, after discussing this situation with the southern administrators, and the effect of it will be to substantially restrict this traffic, and probably eliminate the wholesale, border wholesale, house. The traffic will then go to retail outlets, and be strictly a police problem from there on. Is that about your conception of it?

Mr. JAMES C. EVANS. In general, I agree with you on that.

Mr. AVIS. Now, I might make just one more point before I come to the Cairo situation, and that is that we have tried to bring this export traffic out in the open. Now, that is particularly true, and I have already discussed it with reference to the Oklahoma situation.

The CHAIRMAN. I am going to have to ask for another 10-minute recess. Would you rather finish up tonight or tomorrow?

Mr. AVIS. I would just as soon finish tonight, if it is convenient with you.

The CHAIRMAN. We will have to have a recess for 10 minutes. I am awfully sorry.

(Short recess.)

The CHAIRMAN. All right, Mr. Avis.

Mr. AVIS. Mr. Chairman, I think, perhaps, I have made it clear that we are—I am not authorized to recommend any legislation here, because it has not had Treasury approval, but we have submitted this bill to the State administrators as being, at least, a partial solution to this problem; and I say to you that I sincerely hope, and I think I can speak for my agency, that the outcome of these hearings will determine the Federal Government's responsibility in connection with this matter, because it has got to the place where it is downright embarrassing to us. I mean, this traffic went along for many years without any complaint to speak of from the State officials, but they are interested in it, and there ought to be a solution found to it, if possible.

Now, as to the Cairo situation, reference was made here this morning to the remarks that our district supervisor, Mr. Conerty, made at a meeting of the State administrators in Atlanta.

Now, I don't know what Mr. Conerty said there, but if he did make such a remark, it was very unfortunate, and I will assert that his present knowledge of the J. B. Wenger operations are such that he would not make that remark today.

The CHAIRMAN. Well, did you try to find out whether he made such remark?

Mr. AVIS. I have not, but I think there was some transcript of that meeting, and I have not—so far as Mr. Conerty is concerned, when I finish, if you want him brought here to testify, why, we will be glad to do it, Senator.

The CHAIRMAN. How would it be if you got him on the telephone or wired him to send us a letter about just what he said and why he said it, because on the face of it at the meeting at Atlanta, this Mr. Wenger was discussed, and Mr. Wenger has been a thorn in the flesh of the southern commissioners for quite a long time; and on the face of it, it does not look like you have got a man much in sympathy with the problem if he thinks that Mr. Wenger, according to that time on the information that was available about Mr. Wenger, was a good, law-abiding American citizen, and didn't deserve to be criticized, as he was being criticized.

Mr. AVIS. Well, Mr. Chairman, can I just say this: That since that meeting, Mr. Conerty's office has made a case involving J. B. Wenger and—

The CHAIRMAN. Made a case of what; a Federal case in the district court?

Mr. AVIS. May I confer here with counsel? Well, now, I am willing to give the names—I do not know whether they ought to be given in a public record, inasmuch as this is a matter that has not yet been presented to the grand jury, Mr. Chairman.

The CHAIRMAN. Well, if it has not been presented to the grand jury, it will be cut, so do not give the names. It will be—

Mr. AVIS. I will say—

The CHAIRMAN. Wait, just a minute. The names will be given in executive session, and the names will be kept in a separate record, and I will ask the press not to print it.

Mr. AVIS. I will say that the office of the district supervisor in Chicago, that is Mr. Conerty's office, has submitted to the United States attorney a case involving the falsification of 52 records by certain of the individuals that have been discussed here today in connection with the J. B. Wenger Co. operation.

The CHAIRMAN. Well, that can go on the record. All right, leave that on the record.

Mr. AVIS. And that that case has been in the United States attorney's hands in the eastern judicial district of Illinois since October 1950.

The CHAIRMAN. October 1950?

Mr. AVIS. Yes.

The CHAIRMAN. What is the status of it now?

Mr. AVIS. It is to be presented to the grand jury the latter part of this month, I think about March 26.

The CHAIRMAN. Isn't that pretty slow action? Here we are in March, and we have had October, November, December, January, and February.

Mr. AVIS. Mr. Chairman, I think in that particular district they do not have grand juries very often, and that may account for the delay in this matter.

The CHAIRMAN. All right, sir.

In the meantime, this Mr. Wenger, has his license been revoked or suspended?

Mr. AVIS. I believe it was in September, September 19, that we issued a citation, based upon this investigation and, incidentally this investigation covers the operations of J. B. Wenger in, what I will describe as, the Baltimore group, because there has been some evidence that this group moved out from Baltimore over a period of months. We have issued a citation, that is, the district supervisor in Chicago issued the citation, and I believe it was on September 19, 1950.

The CHAIRMAN. How long does it take a citation to operate?

Mr. AVIS. Well, ordinarily we do not proceed unless the criminal is disposed of, in order that we may not disclose the evidence in the criminal case. The United States attorneys will almost invariably request that these administrative proceedings be held up until the criminal case is disposed of.

The CHAIRMAN. Well, you do not have to win your criminal case to revoke a license, do you?

Mr. AVIS. No; but we have to disclose our evidence, Mr. Chairman. We have got some confessed testimony in this case, Mr. Chairman, and——

The CHAIRMAN. You mean on the testimony presented here today that you would not be justified in going out and suspending this fellow's license, revoking it?

Mr. AVIS. Well, I am inclined to think that the testimony here, of course, we have not assembled that in all, that there is a basis for proceeding, not only administratively, but criminally. Now, of course, that can be determined when we have——

The CHAIRMAN. I am glad to hear you say that because that is my opinion, too. But the thing is, when information like that is developed, how long does it take to get the license revoked? I mean when there is a falsification and flagrant violation and highjacking and other tactics that they have engaged in, how long does it take to get the license revoked?

Mr. AVIS. Well, that all depends on how long it takes to dispose of the criminal case, Mr. Chairman. As I say, a citation has been issued, and there is also a letter of contemplated denial involved

against the successor company, that is this M. & B., which was also issued on the same day, and it involves the same evidence.

The CHAIRMAN. What is the law with reference to revocation of license, Mr. Avis?

Mr. AVIS. Well, these permits are subject to revocation for violation of the internal revenue laws or for the violation of the Federal Alcohol Administration Act.

The CHAIRMAN. Then, they have a right of appeal?

Mr. AVIS. Oh, yes.

The CHAIRMAN. But the right of appeal does not carry with it the supersedeas, does it?

Mr. AVIS. Oh, yes.

The CHAIRMAN. If you do not want it to, it does not.

Mr. AVIS. Oh, yes.

The CHAIRMAN. Then, they appeal to an agency in your department?

Mr. AVIS. Yes, sir. Since the Administrative Procedure Act was enacted, these hearings are held by a hearing examiner, and then they have the right of appeal to either the Deputy Commissioner of the Alcohol Tax Unit or they can go to the court directly.

The CHAIRMAN. But in going to the court they do not have a right to supersede the action of the Alcohol Administration?

Mr. AVIS. Yes, they do, sir.

The CHAIRMAN. They have to make a supersedeas bond and get a supersedeas writ, though, do they not?

Mr. AVIS. Well, no; I think not. Mr. Ritter is very experienced, and I would like for him to answer that question, Mr. Chairman, if he may. He is one of our attorneys.

Mr. RITTER. The permit is not revoked as long as——

The CHAIRMAN. You will have to talk louder.

Mr. RITTER. The permit is not revoked while there is any appellate procedure going on.

The CHAIRMAN. That is just your procedure; that is not mandatory under the law.

Mr. RITTER. Yes.

Mr. AVIS. The law provides for it, Senator.

The CHAIRMAN. The law provides that while they are appealing through the courts the permit cannot be revoked.

Mr. RITTER. The original order of the hearing examiner is appealed from, and then the permit stays in effect until action is taken by the court, if it goes to the court.

The CHAIRMAN. That is just the way you handle it; the law does not provide it.

Mr. RITTER. We would like to throw them out immediately if we could.

The CHAIRMAN. Well, let us examine the law and see if we can do something about it.

All right. Is there anything else?

Mr. AVIS. I think the Administrative Procedure Act, Mr. Chairman, governs that. I mean that was the situation even before the Administrative Procedure Act, but there the Congress reenacted it, and it applies to all proceedings in all departments of Government of this character.

Mr. RITTER. We have had cases which have been on appeal for 2 years. We would like to throw them out immediately, but we cannot.

Mr. AVIS. Some of them have been carried to the Supreme Court of the United States.

The CHAIRMAN. I thought the Administrative Procedure Act provided that as long as it is being operated under that act—that you are right—that that holds the permit; but then when they get to the courts that they had to get a supersedeas or mandamus or something to prevent you from suspending their permit.

Mr. RITTER. The law provides for appeal now to the district court. It used to be the court of appeals, but the law was changed, and it is now the district court, and the permit remains in effect until the law passes upon it.

The CHAIRMAN. All right. Is there anything else, Mr. Avis?

Mr. AVIS. I believe not, Mr. Chairman.

The CHAIRMAN. Mr. Burling, do you or Mr. Goldstein want to ask any questions?

Mr. BURLING. During the intermission or recess I talked to Mr. Avis, and I would like to put on the record my understanding of what he means to say and what he meant to say earlier at the time when I did not understand the testimony.

The CHAIRMAN. I think you said at the beginning that the existing Federal laws were for Federal revenue purposes, and even the theoretical 100 percent enforcement of them would do little good to the States, to prevent the problem we are talking about today.

I think what he meant to say was that as a practical matter the difficulty of enforcing the regulations with respect to proper records is so great that the existing Federal law will not work, cannot be enforced sufficiently. Is that correct, Mr. Avis?

Mr. AVIS. That is about it substantially; that is substantially correct.

The CHAIRMAN. All right. Is there anything else, Mr. Burling?

Mr. GOLDSTEIN. I would like to ask a question that does not tie in necessarily with your previous testimony, but possibly is something in which you could give us some information.

Do you have any understanding why a State would find it to its advantage, that is, the State in terms of its local population in general, would find it to its advantage to have an export law, such as Illinois, which does not bring in any revenue to the State, and so far as we can see, at least from the testimony, only benefits a small group of wholesalers? Is there any incentive for a State to maintain such an export trade?

Mr. AVIS. Well, I would say that only for the accommodation of the liquor dealers, and this Arkansas situation, which I am rather familiar with, and which is not operating today, is clearly indicative of that. In other words, that law, that export law, was passed in Arkansas to get the Oklahoma business because Arkansas was closer to Oklahoma than Louisiana and Mississippi.

I want to say this, for the sake of the good old State of Arkansas, too, that when the governor—and they have got a good one out there—and his State liquor commissioner, an excellent commissioner, when they found out that the attorney general of Oklahoma had held that this statute was enabling legislation, why, they closed these places up, and they have had a hard time doing it because one of them operated under a court injunction for about 4 months.

Mr. JAMES C. EVANS. Mr. Chairman, I might say right there that the State took the unusual position, the State officers did, that the law was unconstitutional. Dean Morley, the revenue commissioner, fought the law, and got the export houses eliminated in Arkansas.

Mr. AVIS. What you have got here is certain States that have enacted export laws, and the purpose that those export laws serve is to enable law violators in other States to come into those States and purchase at the wholesalers' place of business tax-paid distilled spirits, and then it becomes a mouse-and-cat game between the local officers when the stuff gets on the roads.

The CHAIRMAN. Now, if I may ask you a few questions, is it true that this retail liquor dealer's permit, the \$27.50 one, that in years past you used to require some identification, and some showing that the person who paid the money and signed the application or paid the license, was actually the person who was going to do business?

Mr. AVIS. No, Senator—I mean Mr. Chairman—that has never been required. There are 400,000 of those special tax stamp holders in the United States, and it is nothing but a receipt for special taxes. It is in no sense a license whatsoever.

The CHAIRMAN. Why don't we make it a license? Would that enable these people, these communities, to do a whole lot toward enforcement?

Mr. AVIS. We had that matter under discussion and consideration, and we have this black market during the war, and that was a tremendous thing. It was a cash side-money transaction, and none of it went on the books of account. It was strictly an income-tax fraud in toto, and we, because of the tax aspects of this thing, inasmuch as millions of dollars were involved in it, why, we considered this very question of licensing the retail liquor dealers, but we just regarded it as a hopeless proposition, and it was discussed at the high treasury level, and we decided that it was not practical, and it was not feasible because, you see, you have got a local situation, if you will permit me to inject, confined to a few States here, and to impose it, you have got to impose it on all the other retail liquor dealers throughout the United States, which we have no difficulty with whatsoever.

The CHAIRMAN. Why should a person coming in and getting his retail liquor dealer's stamp or paying his tax, why should he object to identifying himself, and under penalty of violating the Federal law, be required to sign his right name?

Mr. AVIS. Well, I think, Mr. Chairman—I don't consider that a solution to this thing, and Mr. Evans and I have been over it many times, and I don't think he does, either. But, nevertheless—

Mr. JAMES C. EVANS. It is a help, not a solution.

The CHAIRMAN. It is a help but not a solution; but certainly it helps these people to trace down these people doing all this buying.

Mr. AVIS. The only objection of the Bureau of Internal Revenue is the additional work, and those problems connected with it.

The CHAIRMAN. Additional work? They come in and put out \$27.50, and some kind of a receipt is given to them; they sign some kind of a name or sign some kind of an address, and why shouldn't we require them to give their right name and furnish some identification? How can an honest man have any objection to doing that?

Mr. AVIS. That, of course, should be done, and we have got that matter under consideration.

The CHAIRMAN. Will you recommend it, sir?

Mr. AVIS. What is that?

The CHAIRMAN. Will you recommend it?

Mr. AVIS. Yes; I recommend it.

The CHAIRMAN. All right. That is what we want.

Mr. AVIS. I don't consider it a solution, though.

The CHAIRMAN. We understand that.

Mr. AVIS. Yes. It would help.

The CHAIRMAN. But at least they would not be running into blind alleys every time a person who holds an R. L. D., who buys a lot of liquor at wholesale, gives a fictitious name and address, and these people try to chase him down, and they would not run into a blind alley every time. It would be helpful in that way.

Mr. BURLING. It is not clear to me whether, as a matter of Federal law, if I walk into your office in Tennessee and say, "I am Clarence Evans," and put down \$27.50, whether I have committed a crime, as the law now is.

Mr. AVIS. That all depends on whether or not you have made a false statement, and if you have, why——

Mr. BURLING. Well, I am not Clarence Evans.

Mr. AVIS. If you aren't, then you have committed an offense; you have sworn to what is called a form 11.

The CHAIRMAN. You have to sign a form 11 when you get an R. L. D.?

Mr. AVIS. That is right; that is the application. They come in through the mails, Mr. Chairman, a lot of them.

The CHAIRMAN. Well, it is manifest here that hundreds or maybe thousands of falsifications have been made, from the testimony of these gentlemen today. Have you prosecuted or recommended the prosecution of any of these people for making false entries?

Mr. AVIS. Oh, yes.

The CHAIRMAN. How many?

Mr. AVIS. We have submitted a list to the committee here under date of October 3, of this entire export, all these cases that we have had over a period of years.

The CHAIRMAN. How many have been prosecuted under the—you prosecute them under the general perjury statute of the Federal Government, is that correct?

Mr. AVIS. No; it is under 2807.

The CHAIRMAN. I mean the false statement.

Mr. AVIS. That is the Internal Revenue Code; that is the making of a false record.

The CHAIRMAN. Well, now, it seems that if you prosecuted a few of these cases they might stop doing it.

Mr. AVIS. Since you have raised it, I want to be frank about this thing, Mr. Chairman.

The CHAIRMAN. Yes, sir.

Mr. AVIS. The Department of Justice, in fact, many United States attorneys are inclined to recommend that these cases be compromised.

The CHAIRMAN. Be compromised?

Mr. AVIS. Yes; and many of them are compromised, and they are usually compromised for a substantial amount, considerably more than the courts—the fact of the matter is, I would say probably on the average 5 times what the fine would be, maybe 10 times what

the fine would be, and the courts, because there is no fraud in the revenue involved here, the courts, where you do take these cases before the courts, have been inclined, generally speaking, to be lenient with them with this type of violator, and I think is responsible for the United States attorneys' point of view, and is responsible for the Department of Justice's action in compromising them.

The CHAIRMAN. All right, sir; Mr. Redwine.

Mr. REDWINE. You asked a question about false names.

The CHAIRMAN. Yes, sir.

Mr. REDWINE. I wanted to also ask if you did not think it would be a criminal offense to give a false address; in other words, giving an address in Georgia by men in Illinois.

The CHAIRMAN. How about that?

Mr. AVIS. The same reason, I mean for the same reason, that is desirable.

The CHAIRMAN. So that is a violation of the present internal-revenue laws, but nothing is done about it as a practical matter, nothing is done about it; is that the size of it?

Mr. AVIS. Well, now, it is our position that it is the wholesale liquor dealers' responsibility to know who they are dealing with, and a great many of them do. In other words, you don't carry \$10,000 in cash out to Cairo or some place else without the wholesaler knowing who he is doing business with, and it is our position that he should know who he is doing business with.

The CHAIRMAN. Now, let us stay with the R. L. D. Undoubtedly if they had to give their right name and their right address, under, perhaps, a most severe penalty of law, or if the present one were more strictly enforced, that, in the judgment of these gentlemen, and I certainly agree with them, would be a substantial help to them. So that is one thing we can do.

Mr. AVIS. Yes.

Mr. RITTER. They are required now to give their correct name and address.

The CHAIRMAN. Well, they are required, but they do not do it, and some cases may be brought where they get compromised, so they all take a chance on it, apparently, so we need stronger enforcement, and maybe we need a rewriting of that law.

Mr. RITTER. Boost that tax and make it worth while.

Mr. AVIS. That was one of the recommendations that was made. The Treasury did not make it, but the Deputy Commissioner made it to the Ways and Means Committee.

The CHAIRMAN. You mean boost the \$27.50 tax?

Mr. AVIS. Yes.

The CHAIRMAN. Now, while we are talking about the retail RLD, are there any more questions?

Mr. AVIS. Could I make this point, Mr. Chairman?

The CHAIRMAN. Yes, sir.

Mr. AVIS. You understand that you do not have to have a special tax stamp in order to buy liquor; merely to sell it.

Now, the reason why the wholesalers that are engaged in this kind of traffic want to use this special tax stamp is a matter of defense, pure and simple, so that if we make out a falsification case on it on them, or attempt to, that they can produce—they can say that, "Well,

I sold this to a man. I didn't know who he was. He had a special tax stamp issued to John Jones."

The CHAIRMAN. Why shouldn't we require the wholesaler to sell only to the holder of an RLD? That would bring you in some money.

Mr. AVIS. That, of course, involves this proposition of sufficient identification, and all of these retail liquor dealers.

The CHAIRMAN. Well, you say the present law does not require the fellow who goes up to the M. and B. to have an RLD. Suppose that you make it a penalty for a wholesaler—I mean, if he sells to anyone not having an RLD stamp or tax, whatever you want to call it, wouldn't that help the problem a good deal?

Mr. AVIS. I am inclined to think so. I am not sure that I got the full import of your question.

The CHAIRMAN. All right. Are there any other questions about the RLD?

Mr. GOLDSTEIN. Mr. Avis, supposing I live here in Arlington, Va., and I went down to Georgia, and went to the office there to buy an R. L. D. stamp and gave a Mississippi address. Could I get one under those conditions, in other words, registering from Mississippi in Georgia?

Mr. AVIS. You could send it in through the United States mail.

Mr. GOLDSTEIN. In other words, I am not limited in purchasing my stamp to purchase it in the district where I might be doing business, or purport to do business?

Mr. AVIS. Well, of course, always they show in that district. I am inclined to think that the collector probably would not issue a stamp outside his collection district. Am I right about that?

Mr. RITTER. He would issue it to someone living there or coming into the office but, as a matter of fact, he might live in another State.

Mr. AVIS. And again I make the point that when you get into these regulations, if you do it by law and regulation as you pose these things, we have no problem except in this very limited area, with the industry as a whole. But we are going to try to work out something for identification purposes on this special tax situation.

The CHAIRMAN. Then we have three things: We have, first, to require identification and really get after them if they give false names and addresses.

Then we have the second, the wholesaler must and can only sell to a fellow who has a stamp; and the third, suggested by Mr. Goldstein, is that they buy the stamp in the internal-revenue district where they are doing business. Those three things would seem to be——

Mr. REDWINE. If you will pardon me, I would say where he is doing business. I believe it should be his legal residence.

The CHAIRMAN. All right, his legal residence.

Mr. REDWINE. They do business—they come down from Illinois to Georgia, and do business.

The CHAIRMAN. Anyway, let us get him tied down somewhere.

Mr. REDWINE. That is right.

Mr. CHAIRMAN. Those three things, I think, would be very helpful. Can't you do those with your present laws?

Mr. AVIS. Well, we can. This first one, as far as the special tax stamp is concerned, we can I believe by regulations require some identification and that is one of the things that we have under consideration. Our agents and our collection people, of course, are opposed to

anything that means additional work in the collector's office. They have a terrific income-tax problem.

The CHAIRMAN. Yes.

Mr. AVIS. But we are going to do something about that, Mr. Chairman.

The CHAIRMAN. Well, you could send out general instructions to the internal-revenue collectors to not—

Mr. AVIS. As I say, we have got to handle this mail problem. A great many of these stamps are issued through the mails, you understand.

The CHAIRMAN. All right.

Are there any other questions now about the RLD?

Mr. BURLING. Couldn't the problem be dealt with in the particular States where the problem is posed, without doing it throughout the country, such as by a regulation requiring in a State having—in a dry State or county, that an RLD may not be issued except upon identification?

The CHAIRMAN. Then they would buy them somewhere else and bring them down, would they not?

Mr. AVIS. That is under discussion with our general counsel at the present time, Mr. Burling. What can be done in that respect is under consideration.

The CHAIRMAN. Now, sir, with all due respect, we are anxious to get some of these things beyond the discussion stage.

Mr. AVIS. We will, Mr. Chairman.

The CHAIRMAN. All right.

Mr. GOLDSTEIN. Mr. Avis, in your estimation would it make any difference if there were also a further limitation which prevented persons with criminal records from purchasing RLD stamps? In other words, would it make any difference if we have persons having a criminal record not being entitled to purchase an RLD stamp, with possible identification through a thumbprint or something of that sort?

Mr. RITTER. Not unless it changes the whole theory. This is a tax, not a license.

Mr. GOLDSTEIN. That is right.

Mr. RITTER. You cannot discriminate there unless you change the whole theory of your law, it seems to me.

Mr. AVIS. We discussed this thing, this fingerprint problem, in this regard, and, of course, it is a delicate question, you understand; and it was discussed with the industry conference; and I am not sure that it is not covered in some respect in that report, Mr. Chairman.

The CHAIRMAN. All right.

Now, let us pass on to the WLD, is that what you call it, the wholesale liquor dealers?

Mr. AVIS. That is right.

The CHAIRMAN. It seems to me, from what we have gathered around the country, and from our previous discussion on November 8, the big trouble there is that you blanketed in a bunch of bootleggers and run runners, and people who were in business illegally during the time of prohibition.

Mr. AVIS. Yes.

The CHAIRMAN. And they are carrying on as wholesale liquor distributors. We found them all over the country, with criminal records

and bad backgrounds—former rum runners and what not. That is your problem, I guess, your big problem.

Mr. AVIS. That is a problem, and we referred in our report to you, and also I believe in our testimony on November 8, to a bill which we had recommended some 4 years ago to handle this situation as far as the extensive black market in distilled spirits was concerned, and since November 8—

The CHAIRMAN. Have the permits expire, and then let them be renewed?

Mr. AVIS. Exactly.

Let me say this, that since you had a hearing on November 8 we appeared before the Committee on Ways and Means and that bill was reported out in the last Congress, and it has been reported out by the committee in this Congress, and is now awaiting a rule from the Rules Committee in the House.

The CHAIRMAN. Is that a 2-year expiration or how often?

Mr. AVIS. That is annual, sir.

The CHAIRMAN. Annual expiration?

Mr. AVIS. Yes, sir.

The CHAIRMAN. All right.

Now, then, if the permits expired or the license expired every year or every 2 years, then to get back to the question of who you would blanket in again, that would not do much good unless we also had some other machinery to see that the bad fellows were left out when they got renewed, is that your plan?

Mr. AVIS. Well, Mr. Chairman, when you get through with your investigation, along with the knowledge that we have got now, I think we will know who is good and who is bad and it will be a relatively simple thing.

The CHAIRMAN. If you do, you will know more than we do as of this time.

Mr. AVIS. I am telling you that this committee is pretty well informed. I was up talking to Mr. Halley about the situation, and I think that we can separate the sheep from the goats. I don't know whether that is a very apropos expression.

The CHAIRMAN. Well, the Bureau is recommending this legislation, that is correct, is it?

Mr. AVIS. It was very well received by the Ways and Means Committee, and with tremendous interest. In fact, when Mr. Huntington and I appeared before them and went into this situation, not only from the point of view of the black market, but in anticipation of another black market, and also from the standpoint of your committee, and the hearings that you had on November 8, there was a great deal of interest expressed.

The CHAIRMAN. I am glad we have had some little influence in that direction. But now what did the distillers say about this bill?

Mr. AVIS. Well, I said to the Committee on Ways and Means that in connection with the discussions we had had, growing out of your hearings, in the discussions that we had had with the industry, I understood that they wanted to be heard on it. They were not heard. I know the wholesalers—I don't want to state what the distillers' position is because, frankly, I don't know—but the wholesalers are conducting a wholesale lobby all over this country against it.

The CHAIRMAN. That is to be expected.

Mrs. Wolf, would you make a diagnosis and put it in the record, and I will ask for it to be made a part of the record of this hearing, briefly of the testimony before the Ways and Means Committee on that bill?

Mrs. WOLF. Yes.

(Mrs. Wolf's diagnosis, exhibit No. 32, appears in the appendix on p. 760.)

The CHAIRMAN. And of the bill itself. So the wholesalers are opposing it?

Mr. AVIS. Very vigorously, and I say that a great many——

The CHAIRMAN. If we can get the bill passed then you are going to pull out these bad ones, is that correct?

Mr. AVIS. We certainly will do the best we can.

The CHAIRMAN. What are you going to do about the situation, like this commissioner from Missouri described, where we found the Di Giovannis were top criminals, and they lost their license, but the first thing we knew their sons had taken over their business and they were lending their sons money to go ahead?

Mr. AVIS. I think it is pretty apparent, as you said this morning, it looked like a front; and that is my analysis of it.

The CHAIRMAN. Well, how are you going to prevent other fronts from operating?

Mr. AVIS. Well, as far as the Di Giovannis are concerned, we have issued a letter of contemplated denial and are going to hearing on March 20.

The CHAIRMAN. Don't you think your general form ought to be revised so that it should get the full connections? I have forgotten the form that you apply for a wholesale liquor dealer's permit, but it has been our impression, frankly, Mr. Avis, that sometimes they form corporations, partnerships, and you have undisclosed interests, people fronting for others to a pretty serious degree in the wholesale liquor business. Can't you revise your form so as to bring out more details about who the real owners are and who is putting up the money and what their criminal record is, and things of that sort?

Mr. AVIS. Yes; we can, and we can give them a better investigation. I mean, there is no substitute for a good investigation.

The CHAIRMAN. How many people do you have in your investigative staff?

Mr. AVIS. Well, about 875. Of course, we deal primarily with the law-enforcement problem. These permits, that kind of inquiry is made by our inspectors.

The CHAIRMAN. How many inspectors do you have?

Mr. AVIS. Well, I think roughly about 400, maybe 425.

The CHAIRMAN. Do you need more?

Mr. AVIS. Well, we would need more if this bill is passed, I mean.

The CHAIRMAN. This interstate shipment bill?

Mr. AVIS. Well, yes, and if the so-called McCarran bill, which provides for annual renewal, and that was made very clear to the Committee on Ways and Means at the time they considered the matter, and all these, the more you investigate, why, the more personnel you need.

Now, I don't know what our situation is going to be with reference to this proposed increase in the tax. We can tell more about that when we find out what the Congress is going to do, but that is going to require some more men in the southern States, Georgia, North Caro-

lina, Alabama, and where we have a rather serious non-tax-paid-liquor problem.

The CHAIRMAN. Mr. Avis, for your information, and also for the public information, in our final hearings, somewhere along the line, Mrs. Wolf, together with Mr. Goldstein and other members of our staff, has been taking the lead in compiling data received from the distilling and brewing industries and we have also asked for information about wholesale distribution outlets, have we not, Mrs. Wolf?

Mrs. WOLF. Yes.

The CHAIRMAN. And we will take all the other information, all the information that we have gathered about particular distributors, and it will be correlated, so that might be of some help.

Mr. AVIS. It would be very helpful; very, very helpful.

The CHAIRMAN. This information will be a part of our final report. But, of course, that is not going to be sufficient because that is largely what they tell you and what we have picked up. It will be you people, of course, who will have the main burden of it.

Are there any other questions about the wholesale liquor dealers' permit? It seems to me that when we had our hearings on November 8 I was very much impressed by the lackadaisical and indifferent attitude on the part of certain of the distillers as to the selection of wholesale distributors and as to their attitude of indifference as to whether they violated the law or not, some of them.

I must say in fairness—I am not going to separate one from the other at this time—some of them said they appreciated the fact that this indifference and looking only for volume and not caring about whether the law was violated or not, that they realize that that was in the long run very adversely affecting the liquor interests and was giving the people who were interested in the return to prohibition a great argument to work with, and that they wished that the whole industry would do something to clean up its own house. But others expressed the viewpoint in these hearings that they were only interested in the volume of business they were doing and the amount of money they were making, and they didn't much care who their wholesaler was, as long as he got them a lot of business.

What has been done about that, Mr. Avis?

Mr. AVIS. The distillers committee meet with Mr. Neely on two or three different occasions and on the final occasion Commissioner Evans was present and they submitted a report which we in turn transmitted to the committee. We did not, as you recall and the record will show, agree entirely with the distillers' recommendations and we made some of our own, and one was this bill which is sort of a catch-all bill and includes annual renewal of permits and other aspects of this matter which we consider necessary to the proper enforcement of the liquor laws. I will say that the Ways and Means Committee has acted on it and it is now in Rules.

The CHAIRMAN. Suppose we figure that on Monday at noon we will release the industry report, the industry report to us, for the public information. It will be made a part of the record of this hearing. We have it.

Mr. AVIS. I have it.

The CHAIRMAN. What is it you think ought to be done about the industry?

Mr. AVIS. If you will just let me finish with this report. As I say, this is a matter for the committee and I am a little hazy on the contents. There is no reason why it should not be released and I do not know that the industry in any way considers the report confidential. I do not know.

The CHAIRMAN. Well, I do not think there is anything confidential in it. I thought your recommendation was very good.

Mr. AVIS. Well, personally, we made it in all good faith, I will say that. Now, as to what should be done with the industry—you mean this over-all situation, Mr. Chairman?

The CHAIRMAN. Yes; that is right.

Mr. AVIS. Well, let me tell you. This is a very competitive business, the whole liquor business is highly competitive. It is my impression this thing is largely a matter of regulation by the Federal and State Governments.

The CHAIRMAN. You mean you cannot depend on them to do much cleaning up themselves.

Mr. AVIS. Well, I would say I just do not believe they will do it. It is too highly competitive. If one distiller would do it, a second one would—but you see, they cannot get together, and then you have this antitrust situation.

I think the control of the liquor industry at all levels is a regulatory and law-enforcement problem, and I think it ought to be handled vigorously.

The CHAIRMAN. Well, I agree with you.

Mr. AVIS. That is my opinion.

The CHAIRMAN. Their report to us is unsatisfactory. It had some good suggestions but it did not show any general inclination on their part to clean it up themselves to keep these wholesalers, the improper ones, down. But we do hope they will cooperate as much as they can.

Now, of course, there is this antitrust angle. From the lawyers I have talked to, that does not have a lot of merit and I have had the impression that might be something some of them may be falling back on as a justification for what they are doing, saying the antitrust laws, the Sherman Act or the Clayton Act might be applied against them.

Mr. AVIS. Well, Mr. Chairman, I do not consider myself competent to testify on that. We did try to get this same kind of cooperation from the distillers, I think I told you at the other hearing, in connection with black-market operations. They did go and give cooperation and we were enjoined by the Federal court in Chicago and we lost our case. Now, whether that is in any wise controlling in this situation, I just do not think I am competent to testify.

The CHAIRMAN. Well, it is quite true, Mr. Avis, that a distiller has a right if A applies and if B applies for a wholesale permit, that he can give the permit to either one of them or give it to neither one of them or give it to both of them. There is nothing in the law that requires him to give an outfit like M. & B. a franchise when they might select somebody who would not engage in this sort of business. That is right, is it not?

Mr. AVIS. That is entirely correct.

The CHAIRMAN. They can select upright and decent people who are going to abide by the letter and the spirit of the law, and they could do a whole lot to control the thing themselves, could they not?

Mr. AVIS. There is no question but what the distiller, the importer, acting in his own right and independent of the others, could select anybody that he might want to at his discretion. There is just no question about it.

The CHAIRMAN. Any other questions or any observations?

(No response.)

The CHAIRMAN. Now, you are going to get a statement from Mr. Connors as to what he had in mind, what his attitude is.

Mr. AVIS. I certainly will, sir. Now, do you want that in the form of a letter?

The CHAIRMAN. Yes; we would like to have a letter.

Mr. AVIS. And addressed to the chairman?

The CHAIRMAN. Well, I would like to have it addressed to me, and as soon as possible, and we may want to call Mr. Connors. But he is in a very strategic and vital spot out there that does not look good on the face of it; that is, a man in that position taking the side of a law violation. So, we would like to know what he has to say about it.

Mr. AVIS. Yes. I will get that explanation, and I call your attention to the fact that there has been a case made by the district supervisor's office out there involving these very people and it is in the United States district attorney's hands.

The CHAIRMAN. You look like a conscientious man and we want to work with you; but I have a feeling that the public and the Congress and the people of the country would applaud you and the department if you got more vigor and more determination to keep the racketeers and criminals out of this industry, and also help these commissioners in these dry and semidry States to enforce their laws. I think you will find all of us here will be back of you.

Mr. AVIS. Well, I certainly hope, Mr. Chairman, that these indictments will resolve that; we would like to resolve that.

The CHAIRMAN. And I think we have a duty to perform, too, that I do not think we have done in the Congress.

Mr. AVIS. Let me say this. Congress had this very matter under consideration in 1937 in both Houses and they could not agree on a bill and the thing was dropped. But it was under consideration and went to the point of committee hearings. Whatever the solution of it is from a legislative point of view, why, I certainly would like to see it enacted.

The CHAIRMAN. All right. Any other questions, gentlemen?

(No response.)

The CHAIRMAN. Thank you very much.

And now, very briefly for just a few minutes we will take up another subject-matter that has not anything to do with what we have been just discussing.

We have found throughout the country that efforts were made by some people who have criminal records and some people who are engaged in illegal transactions to use every sort of a guise and system and scheme in the world to try to perpetuate and carry on their unlawful activities. They try to get fronts and they take advantage of maybe innocent people at times, to front for them so that they could carry on gambling and other sorts of criminal activities.

We have found in our investigations in other parts of the country that they even resort to the hoodwinking or working their way into

a veterans' organization or charitable or eleemosynary organization. It may be on the contract basis, to operate the license that some veterans' organization may have, and I think we have found this to apply to practically all of the great and splendid veterans' organizations at particular places.

Let it be said, however, to the credit of the veterans' organizations that when these matters come to their attention they have forthwith and directly taken steps to eliminate the situation and to show more care in the future so as to not let somebody take advantage of them.

In order to show how these racketeers or gamblers have tried to do this sort of thing and also to show how a splendid veterans' organization cleaned them out, we will ask Mr. Clarence T. Adamy, who is the acting executive director for the national office of AMVETS here in Washington, to come up and tell us about a situation that occurred out in the State of Montana. It is just an example of the sort of thing that has happened to all kinds of charitable and eleemosynary and veterans' organizations. I want to make it very clear that the committee is very grateful for Mr. Adamy's cooperation as a good citizen in helping the committee with the information so that we can know the general pattern of things that have been happening not only to the AMVETS but to all other veterans' organizations in the country. I also want to applaud Mr. Adamy and the AMVETS, which is one of our very finest service organizations, for cleaning up the situation immediately it came to their attention—they did so immediately—and what is said here is not to be taken as any reflection in any way upon the AMVETS. What they have done is really rather a compliment to this very fine organization.

Now, Mr. Adamy, I know Mr. Rice has talked to you about this problem. Mr. Rice, will you take over?

Mr. Adamy, do you swear the testimony you give this committee will be the whole truth, so help you God?

Mr. ADAMY. I do.

TESTIMONY OF CLARENCE T. ADAMY, ACTING EXECUTIVE DIRECTOR, NATIONAL OFFICE, AMVETS

Mr. RICE. Mr. Adamy, your full name for the record, please.

Mr. ADAMY. Clarence T. Adamy, acting executive director, AMVETS.

Mr. RICE. About how many members are there in your organization, Mr. Adamy?

Mr. ADAMY. About 220,000 scattered in 1,700 posts.

Mr. RICE. In 1,700 posts?

Mr. ADAMY. Yes, across the Nation.

Mr. RICE. About how many members?

Mr. ADAMY. 220,000.

Mr. RICE. And all those are veterans?

Mr. ADAMY. Of World War II.

Mr. RICE. That is a nonprofit organization?

Mr. ADAMY. Entirely, sir.

Mr. RICE. And in general what are the purposes of the AMVETS organization?

Mr. ADAMY. In general, the purpose of the AMVETS organization is to help the veterans of World War II, the members, help themselves and to help protect their rights.

Mr. RICE. And that applies to all veterans of World War II?

Mr. ADAMY. Absolutely.

Mr. RICE. Referring to the situation that arose in Montana back in 1948, will you tell the committee how many posts—you call them posts?

Mr. ADAMY. Yes.

Mr. RICE. How many posts did you have in Montana in 1948?

Mr. ADAMY. One, sir.

Mr. RICE. You had one post out there?

Mr. ADAMY. Yes.

Mr. RICE. And there came a time when there was an increase in the number of posts and Jack Clark and Jack Dwyer had something to do with that. Will you tell us about it?

Mr. ADAMY. Well, Jack Clark was a man who had been with AMVETS in the State of Mississippi and whom we had come to know and had no reason to distrust. He left Mississippi at the conclusion of the 1948 national convention and went with this man Dwyer to Montana.

Mr. RICE. Was Dwyer from Mississippi, too?

Mr. ADAMY. Dwyer was from Montana.

Mr. RICE. But Clark came from Mississippi?

Mr. ADAMY. Clark came from Mississippi and left Mississippi to go to Montana after the 1948 convention. And in the year immediately after that about 20 posts came into national headquarters, all sponsored by Clark.

Mr. RICE. Yes. Now, then, that was a very sudden upswing in the number of posts in Montana, and I take it the organization became interested in the reason for this sudden rise in membership there. What did they find out and what did they do?

Mr. ADAMY. Well, the first thing that came to our notice was, in response to our letters of inquiry as to what was cooking, a complaint from our people in the field and from other citizens in the State, that all was not as it appeared to be. So, we sent one of the vice commanders, Mr. Wermuth of Kansas—

The CHAIRMAN. Will you spell that?

Mr. ADAMY. W-e-r-m-u-t-h. At that time he was national vice commander of AMVETS for our so-called Fifth District, which encompasses the Rocky Mountain and some of the far Western States.

Mr. RICE. Yes; and he was a war hero. Do you know what he was best known for?

Mr. ADAMY. He was best known for killing 116 Japs on Bataan before he was captured by the Japs and he served 3½ years in a prison camp.

The CHAIRMAN. And he was given a Congressional Medal, was he not?

Mr. ADAMY. No, sir—Silver Star.

Mr. RICE. All right. What did he do?

Mr. ADAMY. So Mr. Wermuth on the instructions of the national commander proceeded to Montana to investigate the situation. He made a survey of the situation and he did report to us on the status of the majority of the posts in Montana, and the general situation.

Generally, the report was that some people there were providing money to these posts so that they could be set up and they could have slot machines, that is, be clubs that would comply with the law. The Montana law provides there will be no slot machines except in certain clubs. And so these people from the outside would come along and they would get together 10 or more veterans and they would get them to get a charter and open a room and they would come in with the slot machines.

Upon receiving Mr. Wermuth's report at national headquarters in this city we immediately at the next national-State committee meeting gave the full report to the committee notifying the people of Montana so they could make their defense. As a result a number of post charters were revoked, I remember, 8 or 12—excuse me for not having the exact figure, but a number of charters were revoked and the will of the body was plainly expressed.

Mr. RICE. And did a Mr. Newcomb then go out there at the time?

Mr. ADAMY. No; that was after that. It was hoped that Mr. Wermuth through his activities had caused them to cease and desist but after that it became apparent that it was not completely subsided, so it was determined that Mr. Newcomb—

Mr. RICE. How do you spell that?

Mr. ADAMY. N-e-w-c-o-m-b; Elliott H. Newcomb.

Mr. RICE. Who is he?

Mr. ADAMY. He was executive director at that time.

Se we determined that Mr. Newcomb would go to Montana and try to clean up the whole situation, and to notify them that we expected them at the convention when all States would be represented.

He went out to Montana 2 or 3 weeks prior to that meeting, conducting an investigation of his own, with people like Mr. Nelson that he had talked to before, and people like Senator Ecton of Montana, and Mr. Mansfield who was particularly interested, and they announced their recommendations and he talked to other leading citizens.

Mr. RICE. Did he talk to the Governor, too?

Mr. ADAMY. As I recall it, he did, and in the towns where there were questionable posts he talked to people like the presidents of the banks and to the chambers of commerce and that type of people, to get an idea of the local community situation.

Mr. RICE. While he was out there on this investigation for the announced purpose of checking into these activities in the AMVETS clubs, did he run into a man named Grassechi?

Mr. ADAMY. Yes; he did.

Mr. RICE. How do you spell that name?

Mr. ADAMY. You have it in your papers, sir, the report you have. I am sorry. It is Del Grassechi, but I don't know the spelling.

He operated a slot machine company, that is one of the companies that have slot machines and put them out on percentage in Montana.

Mr. RICE. They were the slot machine distributors, more or less?

Mr. ADAMY. Yes.

Mr. RICE. What experience did Mr. Newcomb have with Grassechi?

Mr. ADAMY. Well, he found that Mr. Grassechi was concerned with placing his machines in AMVETS posts and that he was providing funds to start the posts so that machines could be played in them.

Mr. RICE. Was he working with Clark and Dwyer on that?

Mr. ADAMY. Apparently; and with other people.

Mr. RICE. Mr. Grassechi invited him to play in a card game or something like that; did he not?

Mr. ADAMY. Well, that is hearsay, as far as I am concerned.

Mr. RICE. We understand that.

Mr. ADAMY. But we understood that he was offered an opportunity to play in a card game in which he was assured there would be a chance of winning.

Mr. RICE. In other words, they invited him to go and join a card game that he could not lose?

Mr. ADAMY. Yes, just across the street. So he told them, "I don't know how to play poker," and they said to him, "That don't make any difference."

Mr. RICE. They said, "Go across the street and join this little game, you can't lose—beginner's luck"?

Mr. ADAMY. Probably.

Mr. RICE. How much was he supposed to win?

Mr. ADAMY. A very large sum; as I recall, about \$25,000.

Mr. RICE. And what was Mr. Newcomb's impression why he was supposed to win or what he was supposed to do after he won?

Mr. ADAMY. Pack his bag and go home.

Mr. RICE. He was to invite himself out of the State after he had won the money. Needless to say, he did not do that?

Mr. ADAMY. He didn't do that. And after, they elected Walter Haugh State commander, a very nice young fellow from Livingston, and on his election he recognized his duty was to establish a reorganization and throw out the bad people. Also, at the State convention, at Mr. Newcomb's insistence the questionable charters—and again I do not know the exact number—were taken away from some posts and they were disbanded by the State convention, which had that right.

Mr. RICE. And then a control committee was set up?

Mr. ADAMY. Also at that time there was a control board established by the national commander and State commander, to be composed of five people jointly appointed.

The idea was that before any charters could be issued in Montana the control board had to pass on them.

Mr. RICE. That is, screen them?

Mr. ADAMY. Screen them for the validity of their request. We wanted them to be really a part of the organization and not something else.

Mr. RICE. There came a time, too, when the State legislature considered the problem. What did they do?

Mr. ADAMY. Shortly thereafter in the session of 1950 in the Montana State Legislature a bill was introduced to completely outlaw slot machines and not allow them even in private clubs, at which time such law was enacted and that situation has been cleaned up, so that now we have very little fear of their return.

Mr. RICE. All right. Now, could you give us a few examples of these private clubs that were not as private as the word would imply? For instance, the one at Livingston, that had a bar—what was that like?

Mr. ADAMY. Well, I don't recall them by name, sir, but I recall that there were several of them that were just bars, where they would get 10 or 15 or 20 members, just enough to fool us, since we were 1,000 miles away, and they would put in a bunch of slots.

Mr. RICE. In other words, they would just put a little sign over the slot machine and you had a post.

Mr. ADAMY. That is all there was to it.

Mr. RICE. Now, was there not one place where Grassechi built a building?

Mr. ADAMY. That was in Great Falls.

Mr. RICE. And what was that?

Mr. ADAMY. Well, he built a building that cost over \$100,000.

Mr. RICE. The building cost \$100,000. He put up the money; did he?

Mr. ADAMY. It was his money.

Mr. RICE. How did he get his money back?

Mr. ADAMY. As I understand it, out of a percentage on the slot machines.

Mr. RICE. He was to get a take of \$1,000 a month and it was called "rent"?

Mr. ADAMY. \$1,000 a month rent was mentioned in it. Our understanding was that it was a concession; that when the post was established he gave the slot machines as a concession and he would give the post a nickel or a dime when he felt like it, and when the members would come into this club along with the public and spent their money, he got it, and if he felt like it he would give them a little.

Mr. RICE. He completely dominated the situation there; but there were others in other places and posts, and sometimes they would take 40 percent of the money from the slot machines, and I believe in one instance the record shows 90 percent was taken of the revenues from the slot machines.

Mr. ADAMY. That is right.

Mr. RICE. How many posts are there now left in Montana?

Mr. ADAMY. I think we had seven out there the first of the year.

Mr. RICE. What was the maximum at any one time?

Mr. ADAMY. 23, 26—something like that.

Mr. RICE. And a number of them dropped out because of these activities and some because the fellows were going back in service.

Mr. ADAMY. Most of those that dropped out, the difference between 7 and 23 or 26, whatever the maximum was, were as the result of our activities. They either died—we just couldn't find them—of the seven that are now there I think there may be one or two more will be lost because of these activities.

Mr. RICE. Are there any questions?

The CHAIRMAN. No. I just want to say that I have been informed by some of your high officials that you now have a very healthy and good organization in Montana and that you have done a good job of cleaning it up and getting these outside outfits out, and I think you deserve to be congratulated.

One thing I did want to mention is that a good many organizations have been using punchboards. I hope that all those organizations will read the testimony about the punchboard operations in raising funds. It seems to be a sort of general way of raising some funds. That does not apply to any one organization particularly.

I want again to congratulate you upon the job you did in Montana in getting rid of this situation. It shows the extent to which gamblers and racketeers will go in trying to use the names of good organizations for their own purposes. And I think the AMVETS are a very fine organization throughout the country.

Mr. ADAMY. Thank you.

The CHAIRMAN. We will put an end to our hearings for today in open session. We will go into executive session now for the purpose of receiving some names.

(Whereupon, at 6:45 p. m., the committee retired into executive session.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

THURSDAY, MARCH 22, 1951

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The special committee met, pursuant to call of the chairman, at 10:30 a. m., in the caucus room, Senate Office Building, Senator Herbert R. O'Connor presiding.

Present: Senators Kefauver (chairman), O'Connor, Hunt, Tobey, and Wiley.

Also present: John L. Burling, Alfred M. Klein, George Robinson, associate counsel; E. Ernest Goldstein, assistant counsel; William D. Amis, investigator.

The CHAIRMAN. The committee will come to order.

Let the record show that all of the five members of the committee, Senator O'Connor, Senator Hunt, Senator Tobey, Senator Wiley, and the chairman, are present for this hearing this morning.

I am sorry that we have had some delay about getting started, but we have had unfortunate confusion about radio facilities.

We are happy that this morning we have with us our distinguished member of the committee from the State of Wisconsin, the Senior Senator, Alexander Wiley.

Senator Wiley has been a very active and devoted member of this committee, and has been with the committee to California, Kansas City, Chicago, and at most of the hearings.

During the past week, Senator Wiley, as ranking minority member of the Foreign Relations Committee has had to be in Washington to look after the affairs of that committee on the floor of the Senate. He endeavored to get away from his duties here in order to be in New York, but it was impossible for him to do so; but Mr. Cahn was there, his administrative assistant, during part of the time.

His duties here were of greater importance than being in New York. We are awfully glad to have him with us today.

At the session this morning, the distinguished Senator from Maryland, Senator O'Connor, will preside.

Senator O'CONNOR. The first witness will be James J. Carroll.

Mr. BURLING. Mr. Chairman, it might be appropriate at this time—

Senator O'CONNOR. Mr. John Burling, committee counsel.

Mr. BURLING. Mr. Chairman, it might be appropriate at this time to read into the record the agreement that I have with Mr. Morris

Shenker, the attorney from St. Louis. I made it orally on the telephone with him a few days ago.

Senator O'CONOR. Might I suggest, Mr. Burling, that we wait until Mr. Shenker—

Mr. SHENKER. I am here.

Senator O'CONOR. Is your client here?

Mr. SHENKER. Yes, sir; he is here.

Senator O'CONOR. Will he come forward and be sworn?

You are James J. Carroll?

Mr. CARROLL. Yes, sir.

Senator O'CONOR. Do you solemnly swear the testimony you shall give in this hearing shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CARROLL. I do.

Senator O'CONOR. Counsel, will you sit with him?

Just for purposes of identification, you are James J. Carroll?

Mr. CARROLL. Yes.

Senator O'CONOR. And your address?

Mr. CARROLL. 4605 Lindell Boulevard, St. Louis, Mo.

Senator O'CONOR. Counsel, just for purposes of the record—

Mr. SHENKER. I am M-o-r-r-i-s A. S-h-e-n-k-e-r of St. Louis, Mo., a lawyer.

Senator O'CONOR. And you are attorney for—

Mr. SHENKER. For Mr. Carroll in this hearing.

Senator O'CONOR. Thank you.

Mr. SHENKER. Yes, sir.

Senator O'CONOR. Now, Mr. Burling.

Mr. BURLING. I think, with your permission, Mr. Chairman, the record ought to reflect an agreement which Mr. Shenker and I made. We called Mr. Carroll at the hearing in St. Louis, where Senator Kefauver was acting as a subcommittee of one. Mr. Carroll declined to testify at that point on the ground that he was being televised, and that such television invaded his right of privacy.

Thereafter, the committee voted that such refusal constituted a contempt of the Senate or of a committee thereof.

Mr. Shenker, on behalf of Mr. Carroll, wrote that Mr. Carroll would appear at his own expense in Washington and testify.

I then telephoned to Mr. Shenker and asked him if Mr. Carroll would appear and submit to the identical degree of television to which the witness Frank Costello was submitted or which he was given in the course of the recent New York hearings of this committee, and after an hour or so, Mr. Shenker called me back and said that Mr. Carroll would accept such conditions, and he is here pursuant to that agreement; and I think in all fairness to the witness, and in pursuance of my oral agreement with his counsel, Mr. Carroll should not be televised any more than Mr. Costello was.

Is that agreeable to you, Mr. Chairman?

Senator O'CONOR. First of all, in order that we may determine the status of the matter, may I ask Mr. Shenker if counsel's statement of the conversation is in accord with your understanding?

Mr. SHENKER. It is substantially in accord.

Now, however, since that time some matters developed insofar as the manner in which the hearings in New York were conducted per-

taining to Mr. Costello, and I found out that a movie was made of Mr. Costello, and then used subsequently so that by using the movie and then the recordings of the words of the testimony—we would like to, and this is a matter which Mr. Burling and myself did not cover—and having learned about that, I would like for the record to show that we are requesting that no movie be made of the witness during his testimony.

Mr. BURLING. In all fairness both to Mr. Shenker and myself, Mr. Chairman, I would like to say that I told Mr. Shenker on the telephone that I did not know what the conditions were in New York; that he had as good a way of knowing as I did by way of——

Senator O'CONOR. The hearing will please be in order, and remain so.

The committee is of the opinion that the same conditions which prevailed in the previous hearing ought to be maintained at this time; in other words, the same general conditions will apply. Inasmuch as it is permissible for those who are taking the movies, if such there be, and if they can do it intermittently during the hearings, which is a public hearing, or continuously at one or the other time, the committee does not feel that it is proper to change the rules at this juncture.

Mr. BURLING. May I complete my statement?

Senator O'CONOR. Yes, I thought you had.

Mr. BURLING. Excuse me, I was saying that I had told Mr. Shenker that I did not know what the conditions were in New York because I had been in Washington and that he had about as good information as I did, and that the agreement was whatever the conditions happened to be in New York were to be followed here.

I do not mean to assert that Mr. Shenker necessarily understood precisely that, but my understanding was that it was an agreement that Mr. Carroll would submit to precisely the same conditions that Mr. Costello had submitted to, and that I did not know what they were, but it would be up to the committee here.

Senator O'CONOR. Very good.

Mr. SHENKER. I have no difference with Mr. Burling. That was the understanding and the agreement. However, I simply wanted to point out that there are some matters which I discovered and found out after and subsequent to my conversation with Mr. Burling.

I would like at this time, Mr. Chairman and members of the committee, to state that any movies that are made or any proceedings that are broadcast, insofar as—or rebroadcast or any exposures that are made of Mr. Carroll by any of the networks or any of their agencies, that they are doing that against Mr. Carroll's will; that he is not voluntarily submitting himself for a rebroadcast of any of his testimony or for any movies to be shown of him or for any pictures to be made of him and to be shown at any place within the United States or any other place; that they are doing this in violation of his constitutional rights; that Mr. Carroll is no longer a public figure, not being engaged in any business, being retired, and he is entitled to his rights of privacy.

Senator O'CONOR. Very good.

Mr. Shenker, the committee has heard you and, of course, your comments are duly noted.

I might just make one final observation, and that is if in regard to any specific act or acts that you feel that your client is interfered with

in the presentation of his testimony, we, of course, will be glad to have you notify the committee.

Mr. SHENKER. I would be very glad and it would be very simple to state, Mr. Chairman, that the lights pertaining to television are quite annoying to him.

Senator O'CONOR. Yes.

The CHAIRMAN. Mr. Chairman?

Senator O'CONOR. Senator Kefauver?

The CHAIRMAN. Mr. Chairman, in order that the record may be entirely clear about the attitude of the chairman, myself, and also what the action of the committee has been and what the history of this matter is, I think I should make a very brief statement.

At the time Mr. Carroll appeared in St. Louis I was acting as a committee of one to preside at the hearing in St. Louis. As I reported to the committee, the television situation in St. Louis was the best I had ever seen, with indirect lighting, and it was just about as bright as it is in the chamber on the floor of the Senate.

The committee, upon the recommendation of the chairman, by a vote of four affirmative votes, and Senator O'Connor not voting, approved the recommendation of the chairman to cite Mr. Carroll for contempt of the committee for refusing to testify before television. I think it is fair to state that was the only issue involved. He appeared and said he was ready to testify otherwise.

There is some division among the Members of the Senate as to the question, so that the committee decided that when in New York if the conditions were not as favorable at least as they were in St. Louis, that the committee in its discretion could, if any witness did not want to be televised, if the lights were obtrusive or the heat was obnoxious, that until the matter of Mr. Carroll was decided that witnesses who made objection would not be televised.

When we arrived in New York, particularly the first 3 days, in a very small hearing room, the lights and heat were very bad and much worse than they are here. So that when the issue was raised by Frank Costello it was determined, in line with the policy of the committee which had been agreed upon, to not televise his face, so that was carried out.

Then when this request was made, we felt that inasmuch as we made that exception for Frank Costello, that Mr. Carroll wanted to come in under the same circumstances and situation that Costello had, that he should be given an opportunity.

I want to say, however, that it is my personal opinion that television is a great means of public communication; that if the lights are not obtrusive and the heat is not obnoxious, and the physical condition of the witness is not going to be injured or bothered, that at a public hearing of this kind that television should have the same rights that the movie cameras or the ladies and gentlemen of the press or other means of communication. It is the way I feel about it.

The hearing could be held, of course, in a larger place, where the public could come and see, and I cannot personally see any difference between holding a meeting where thousands of people could attend and televising it. But anyway, that is the background of how this is gotten here at the present time.

Senator O'CONOR. Counsel, you have heard the comments and, of course, you can be assured that in every respect the committee will be

vigilant to insure the proper presentation of the testimony without undue interference.

Mr. SHENKER. Very well. In order that the record may be clear then, that becomes a moot question of our action that we took in St. Louis? In other words, the question of whether Mr. Carroll was subject to possible citation for contempt or not; isn't that correct.

Senator O'CONOR. The committee is not making any decision at this time.

Mr. SHENKER. Well, of course, that was my understanding so far—as a part of the understanding insofar as Mr. Burling was concerned.

Senator O'CONOR. Well, there is no deal, if that is what you mean; there is no agreement.

Mr. SHENKER. Well, it becomes moot anyway.

Senator O'CONOR. Yes.

Mr. SHENKER. All right.

Senator O'CONOR. Will counsel then proceed with the interrogation.

Mr. BURLING. For the record, Mr. Carroll, you state your full name and your address.

**TESTIMONY OF JAMES J. CARROLL, ST. LOUIS, MO., ACCOMPANIED
BY MORRIS A. SHENKER, ATTORNEY, ST. LOUIS, MO.**

Mr. CARROLL. James Carroll.

Mr. BURLING. Isn't there a "J" in it?

Mr. CARROLL. James Joseph Carroll.

Mr. BURLING. Where were you born, sir?

Mr. CARROLL. St. Louis, Mo.

Mr. BURLING. Where do you live today? Where do you reside?

Mr. CARROLL. 4605 Lindell Boulevard, St. Louis, Mo.

Mr. BURLING. Is it correct, Mr. Carroll, that on April 26, 1950, you testified before a subcommittee of the Committee on Interstate and Foreign Commerce of the Senate?

Mr. CARROLL. That is true, sir.

Mr. BURLING. That was popularly known as the McFarland subcommittee?

Mr. CARROLL. That is true.

Mr. BURLING. That was a committee dealing primarily with the problem of what is called the race wire service; is that right?

Mr. CARROLL. I think so.

Mr. BURLING. I do not in the least mean that there is anything improper about this or to impugn Mr. Shenker, but I merely wanted to lay the foundation for a question. You did have Mr. Shenker representing you at that time, is that correct?

Mr. CARROLL. That is correct, sir.

Mr. BURLING. Do you recall that Mr. Shenker said to that committee, "You may rest assured that Mr. Carroll will be glad to answer any questions." Do you remember that?

Mr. CARROLL. Yes; and that is true, sir.

Mr. BURLING. Do you feel prepared to give the same assurance to this committee?

Mr. CARROLL. I don't know, sir. I have a little thing here. You see, you have injected the fright factor into this proceeding.

Mr. BURLING. The what?

Mr. CARROLL. Fright, f-r-i-g-h-t factor.

Mr. BURLING. In other words you are in fright at the moment?

Mr. CARROLL. That is correct, sir.

Mr. BURLING. I see. So you do not feel that you can——

Mr. CARROLL. If you will——

Senator O'CONOR. The Chair understands that the witness has a statement he desires to make?

Mr. CARROLL. Not at this moment, but I do want to state that there has been a fright factor presented here; that I just—I don't know whether I can answer if I am frightened; I take this position; that I am unable to think clearly by reason of all this. I certainly can't answer questions properly, and my answer to the counselor, Mr. Burling, is that your name, please, sir?

Mr. BURLING. Burling, B-u-r-l-i-n-g; yes, sir.

Mr. CARROLL. He asked if I could be prepared——

Senator O'CONOR. The committee agrees with you to this extent, that the continuation of the flashlights in front of your face can very well be an interference with the proper and orderly presentation of your testimony. The committee, therefore, asks the news photographers, will they take at this time whatever pictures they need, and then vacate from just in front of the table so that there will be no interference between counsel and the witness and between the committee members.

Mr. CARROLL. Mr. Chairman, I will answer to the best of my ability.

Senator O'CONOR. Just so we get that over with.

Mr. CARROLL. He asked me to say something, and I am speechless. The phenomenon of light fright and mike fright, and that is what I am subject to, and I am speechless.

Senator WILEY. Have you felt that way before?

Mr. CARROLL. I have never experienced anything like this before.

Senator O'CONOR. It is noted then that the photographers have left the front of the table, counsel, and I assume you consider that satisfactory to you?

Mr. SHENKER. I consider it much more satisfactory than it was a few seconds ago.

Senator O'CONOR. Counsel will proceed, please; Mr. Burling?

Mr. BURLING. If I may, Mr. Chairman, now that the photographers have gone and the popping of the flash bulbs has ceased entirely, I would like to reask the question.

Mr. Carroll, will you give this committee the same assurance that your attorney gave the McFarland subcommittee, which was in the following language:

"You may rest assured, Mr. Carroll will be glad to answer any questions."

Mr. CARROLL. Well, counselor, I will be glad—I came here for the specific purpose of aiding this committee.

Mr. SHENKER. Of course, we are certainly——

Senator O'CONOR. Counsel, the question is addressed to Mr. Carroll, please. Let him respond. If you wish to advise him you may do so.

Mr. CARROLL. I am the phenomenon of mike fright, the rebroadcasting——

Senator O'CONOR. In other words, does the committee understand you that you think you are interfered with by the fact that at a later hour tonight——

Mr. CARROLL. Yes.

Senator O'CONOR. Well, the committee does not agree with you.

Mr. SHENKER. Mr. Chairman, in order that the record may well reveal that when a statement is made that a witness is willing and ready to answer any question, the assumption is, of course, at all times that only proper questions, questions which are not in violation of a person's rights, and questions which are proper for the investigation are requested.

Senator O'CONOR. That would certainly be a very fair assumption.

Mr. SHENKER. Very well. On that basis, Mr. Carroll will certainly answer any questions that are propounded.

Senator TOBEY. Mr. Chairman, we have spent three-quarters of an hour here in a fencing match, going back and forth. Can't we get down to brass tacks and start the examination?

Senator O'CONOR. Mr. Burling?

Mr. BURLING. I certainly have no desire to waste the committee's time, Mr. Chairman and Senator Tobey. I was trying to bring out the fact that when this witness appeared before a committee which did not have, and quite understandably did not have, all the sordid picture that this committee has recounted, the witness was presented as one who would answer anything very freely without any reservations as to constitutional rights.

The idea was then "My life was an open book." That is what I was trying to establish.

Mr. CARROLL. Senator, may I make this observation, that the television—they asked permission of Senator McFarland to televise the hearings, rebroadcast the testimony, and he denied it, and I was assuming——

Senator O'CONOR. That question is already decided, and therefore we will not waste any time on it.

The first question, please.

Mr. BURLING. You were called before the McFarland subcommittee as an expert; is that correct, Mr. Carroll?

Mr. CARROLL. Well, yes, sir.

Mr. BURLING. You were called as an expert witness; is that not so, sir?

Mr. CARROLL. Yes.

Mr. BURLING. And you heard it said that you were to be qualified as an expert, did you not?

Mr. CARROLL. I believe that to be true.

Mr. BURLING. Well, Senator Capehart said at page 380, "I think we ought to qualify him as an expert." Do you not remember his saying that?

Mr. CARROLL. Well, if you let me refer to my testimony here, and follow the questions——

Mr. BURLING. It is at page 380. Can you find that? You understood that you were qualified as an expert on some phase of the business of betting on horses? Now, you agree to that?

Mr. CARROLL. I believe that this—I think this here, if I understand this right, it says Mr. Shenker assured the committee that I was an expert, isn't that true?

Mr. BURLING. I am asking for your understanding, sir. Did you not understand that you were being called as an expert witness on some matter?

Mr. CARROLL. Yes; I believe that to be true.

Mr. BURLING. And you further understood that the matter was some phase of the business of betting on horses; is that not so?

Mr. CARROLL. Yes; I believe that to be true.

Mr. BURLING. And you did not think—I am asking you for your understanding now—you did not think that you were being qualified as an expert on any legal phase of betting on horses, did you?

Mr. CARROLL. On any what?

Mr. BURLING. Legal, l-e-g-a-l.

Mr. CARROLL. Well, I believe so.

Mr. BURLING. You believe what?

Mr. CARROLL. That whether it was legal or my operation was legal or illegal—

Mr. BURLING. You fail to understand my question. I am not asking you at all about your operation: I am asking what you were being called on as an expert before the McFarland subcommittee on. What did you think you were called as an expert on?

Mr. CARROLL. Well, Senator, I—

Mr. BURLING. I am not a Senator, Mr. Carroll.

Mr. CARROLL. I am sorry, Counselor. I have not the slightest idea. I received a subpoena from the United States marshal, and I appeared before the Senate, before the McFarland committee.

(There was a conference between the witness and his attorney.)

Senator O'Connor. Next question, please.

Mr. BURLING. I have not had an answer, Mr. Chairman, to the last question, which is, is it not, in substance, true that you understood that you were not being called as an expert witness on any legal phase of the business of betting on horses?

Mr. CARROLL. I believe that to be correct.

Mr. BURLING. Yes. For example, you do not know anything at all mechanically about how to set up a pari-mutuel or tote board, do you? Would you know how to set up the wire?

Mr. CARROLL. No.

Mr. BURLING. Do you own any stock in any race track anywhere?

Mr. CARROLL. No.

Mr. BURLING. And you were not a jockey, of course?

Mr. CARROLL. No.

Mr. BURLING. Do you own any race horses?

Mr. CARROLL. No.

Mr. BURLING. Have you ever owned any race horses?

Mr. CARROLL. No.

Mr. BURLING. So it is clear, is it not, that you were called as an expert by the McFarland subcommittee and qualified as an expert before that committee on the business of unlawful betting at race tracks—off race tracks, excuse me?

Mr. CARROLL. I believe that to be true.

Mr. BURLING. You know that off-track betting is unlawful in every State of the Union except Nevada?

Mr. CARROLL. Well, Senator, that is a question.

Mr. BURLING. Don't you know that?

Mr. CARROLL. No; I do not know that, Counselor.

Mr. BURLING. Didn't Mr. Shenker ever tell you that?

Mr. CARROLL. Well, I have a half dozen opinions.

Mr. BURLING. Did Mr. Shenker—excuse me.

Senator O'CONNOR. Just let him finish his answer.

Mr. CARROLL. I have half a dozen opinions that under certain circumstances off-track betting is not illegal.

Mr. BURLING. Suppose you tell this committee what the circumstances are under which you can make legal bets off the track except in the State of Nevada.

Mr. CARROLL. Well, I think you can go into any Western Union or Postal Telegraph office in any State, with the exception of the following, Alabama, California, Connecticut, Delaware, Florida, Idaho, Maryland, Mississippi, Missouri, Montana, New Jersey, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin, and wire a bet to a legalized bookmaker in Nevada, and it is not a violation of the law.

Mr. BURLING. How about a bookmaker, whether or not he is legalized, either in St. Louis, Mo., or East St. Louis, Ill.?

Mr. CARROLL. That is also wrapped up in this question.

Mr. BURLING. But aside from these telegraphic bets placed through Western Union, will you agree that it is impossible to make a legal bet on the outcome of a horse race except in the State of Nevada, off the track?

Mr. CARROLL. Well, I would say this, in reply to that question: that I think it possible to make a bet in other—in States other than I have mentioned; that would not be illegal.

Mr. BURLING. Well, what other circumstances are there under which you can make a bet which is not illegal in those States?

Mr. CARROLL. Well, if Mr. A, assuming that Mr. A would go in to the Western Union office and make a bet with a legalized bookmaker in Nevada, and that there would be the element of Mr. B entered in here, and he collected the bet from Mr. A, and he wired it to the bookmaker in Nevada, there are many lawyers of the opinion that that is not illegal.

Mr. BURLING. Well, with the exception of this possible legal complication with respect to Western Union, it is true, is it not, that with the exception of the population of Nevada, which is a little over 100,000, throughout the United States of America, betting on horse races is illegal except at the track? And by "illegal" I mean a crime, sir.

Mr. CARROLL. Yes; I believe that.

Mr. BURLING. You do.

You were called to testify as an expert before the McFarland subcommittee on the criminal activity of off-track betting, is that correct, sir?

Mr. CARROLL. Yes; that is correct, sir; I believe that is correct.

Mr. BURLING. And you read before that committee a prepared statement, did you not?

Mr. CARROLL. That is correct.

Mr. BURLING. Did you prepare it or if not, who did?

Mr. CARROLL. I prepared it.

Mr. BURLING. Personally?

Mr. CARROLL. With the aid of my son.

Mr. BURLING. Will you give his name, sir?

Mr. CARROLL. James J. Carroll, Jr.; and my attorney, Morris Shenker.

Mr. BURLING. One of the topics that you addressed your attention to was the setting of odds, is that right?

Mr. CARROLL. That is correct, sir.

Mr. BURLING. I want to read you the following from what appears to be the printed record of this—

Senator O'CONOR. Counsel, will you suspend for one moment? It has been thought desirable, without reflection on anybody, that smoking might be stopped during the course of the proceeding.

Mr. SHENKER. I am sorry, very sorry.

Senator O'CONOR. No apology is necessary. That applies to everyone.

Mr. BURLING. I want to read from page 380 of that committee and ask if this is what you said:

One, setting of odds—horse racing in general, odds on any particular horse in any given horse race is determined a long time prior to the race. The factors taken into consideration by the persons setting the odds are (a) history of the horse, (b) history of the owner, (c) the background, history and experience of the jockey, (d) if possible, the anticipated weather, (e) the length of the race, of the other horses competing in the race.

Was that your statement?

Mr. CARROLL. That was my statement; that is correct, sir.

Mr. BURLING. Now, sir, in the light of what this committee has uncovered, is it your opinion that that is a full and correct statement as to how the odds on horse racing are determined?

Mr. CARROLL. I am certain of it.

Mr. BURLING. You do not wish to change that statement at all?

Mr. CARROLL. No; not a bit.

Mr. BURLING. Can you not add another important factor which affects the odds at the tracks or odds which are obtained by bookies?

Mr. CARROLL. Well, there would be many factors there, Counsellor. Of course, I would not be able—

Mr. BURLING. Perhaps the name Uvanni will help you.

Mr. CARROLL. Uvanni? I think he was an employee of John Mooney.

Mr. BURLING. Well, I am not going to go into, at the moment, Mr. Uvanni; I was just trying to help your recollection or your thought.

Mr. CARROLL. Well, the only thing this committee has a belief, I am certain, is provable. They believe something to be true that I am sure is provable as false.

Mr. BURLING. I see. Well, let us get right down to it. You are talking about our view on the subject of come-back money, is that not right?

Mr. CARROLL. That is correct, Counselor.

Mr. BURLING. Tell us what the word "come-back" money means in the trade or business.

Mr. CARROLL. Well, it is a man who—a man who certain operators have at race tracks for the purpose of relieving them of an obligation, and the betting of the money at the race tracks, there is the factor that the certainty of payment, and the certainty that they will accept the bet.

Mr. BURLING. It is kind of a second degree lay-off, is that right?

Mr. CARROLL. No; I don't think the question of laying off enters into it; and when the statement—I would like to qualify the statement about this committee believing it to be false. What the inference or by im-

plication—some of the testimony or statements by members of this committee has been that it is, oh, a trick on the part of the operator for to depress the odds, and that, I am certain, is provable that is false; is provable for the simple fact if you had bet a large sum of money on one horse it would certainly raise the odds on the other horse, and that would—

Mr. BURLING. Is it your testimony as an expert in the horse-racing business that the come-back money man who is at the track does not receive instructions from his principal, such as Mr. Mooney, for example, to throw a great deal of money into the machine and distort the odds within the last 60 seconds before post time?

Mr. CARROLL. That is absolutely false.

Mr. BURLING. Well, just exactly why are come-back men employed then?

Mr. CARROLL. Well, for the simple reason, as I stated just a moment ago, that a race track would be certain to accept the bet, and it would be relieving an obligation on the part of the operator, and he would be certain to be paid; the credit element is removed by reason of him betting with a race track.

Mr. BURLING. Yes. But a large operator, such as, let us take Mr. Mooney, or whatever the operation was at 318-A Missouri Avenue, East St. Louis, Ill., that had a volume in the millions of dollars, such an operator would not need to insure himself against loss on any particular race, would he?

Mr. CARROLL. Certainly, Senator, or Counselor—I am sorry.

Mr. BURLING. That is contrary to what you said to the McFarland subcommittee, is it not?

Mr. CARROLL. I don't think it is contrary to what I said to the—

Mr. BURLING. My recollection—I have not the page reference at the moment, we will look for it—my recollection of your testimony is that you said that any operator, if you were large enough, could be sure of a certain profit, namely 15 percent, and that the law of averages would carry it—let me read to you from the colloquy between Senator McFarland and you. I am reading page 385, Mr. Shenker.

Senator McFARLAND. In other words, as I understand your answer, putting it in my words, it is that if he is a big enough operator it will balance itself in time. It might lose some one day but in the end it balances itself. Is that true?

Mr. CARROLL. That is correct.

Mr. CARROLL. Well, it could be correct, Counselor.

Mr. BURLING. And on the same page you said—well, first, Senator McFarland said to you: "If he limits the bet to where he does not go broke?"

And Mr. Shenker said: "The law of averages would take care of it." Do you agree with what Mr. Shenker said?

Mr. CARROLL. I agree with that; yes.

Mr. BURLING. So what does a come-back man do?

Mr. CARROLL. He is there for the specific purpose of accepting a bet from his principal or his employer, to go into a race track and make a wager, as he is directed by his employer or the principal.

Mr. BURLING. And the practice is to have the come-back man go in within a few minutes, and if possible within 60 seconds, of the closing of the machine, is that right?

Mr. CARROLL. No; the time element has nothing to do with it; Counselor.

Mr. BURLING. You mean the come-back man might make the wager a day in advance?

Mr. CARROLL. That is right; no, not a day, but a race in advance or two races in advance.

Mr. BURLING. That is not what Mr. Uvanni told us.

At any rate, you did not deem it appropriate, while testifying as an expert witness before the McFarland subcommittee, to tell them anything about come-back money, did you?

Mr. CARROLL. Well, repeat that again, please.

Mr. BURLING. Will you read it please, Mr. Reporter?

(The question was read by the reporter.)

Mr. CARROLL. Well, I don't think it inappropriate. [Laughter.]

Mr. BURLING. I do not understand your answer. Will you explain?

Mr. CARROLL. Well, Counselor, there are many factors present here, and there are many beliefs that are fallacious, and circumstances change every operation.

Mr. BURLING. But it was within your own personal knowledge—I will come to that later—that Mooney with whom you will admit you at least shared an office, had at least one man, Uvanni, who was paid a salary to do nothing but place large bets at the track, as come-back money?

Mr. CARROLL. That is true.

Mr. BURLING. But you did not tell the McFarland committee anything about that, did you, sir?

Mr. CARROLL. I do not believe they asked that question.

Mr. BURLING. You had a prepared statement explaining how odds are set, and it must be apparent to you, sir, that the inclusion in the machine, of the pari-mutuel machine or tote, as it is sometimes called, the inclusion in the betting of large sums of money bet at the last minute by come-back men must affect those odds.

Mr. CARROLL. That is true.

Mr. BURLING. But you omitted that. Well, we will go on.

You further said in a prepared statement:

As to laying off bets I cannot help but feel that there is an implication in the existence of a betting syndicate or syndicates which is engaged in the business of accepting or laying off bets or wagers. I can state without any mental reservation that I know of no such syndicate, combination, or organization.

You said that, did you not?

Mr. CARROLL. Yes, sir; and it is true, Senator.

Mr. BURLING. You still say it?

Mr. CARROLL. Counselor, I am sorry, I am awfully sorry.

Senator O'CONOR. In other words, you still adhere to the same statement you made the other time to the other committee?

Mr. CARROLL. Yes, sir.

Mr. BURLING. You know Frank Erickson, do you not?

Mr. CARROLL. Yes, sir; I do know Frank Erickson.

Mr. BURLING. After you testified before the McFarland committee, you met Mr. Erickson here in Washington at his request?

Mr. CARROLL. That is true, sir. I beg pardon?

Senator O'CONOR. At his request?

Mr. CARROLL. Yes, sir; that is true, sir.

Mr. BURLING. And you do business with Erickson, do you not, or you used to up to a few months ago?

Mr. CARROLL. No; I do not do any business with Frank Erickson.

Mr. BURLING. Give me page 484, please.

Mr. Erickson testified after you did, before the same subcommittee, at page 483:

Senator TOBEY. How close are you with Carroll in business relations?

Mr. ERICKSON. We are very friendly.

Senator TOBEY. Partners?

Mr. ERICKSON. No.

Senator TOBEY. Associates?

Mr. ERICKSON. I wouldn't say associates. We do business with one another. I have known Carroll for many years. I have had very pleasant experiences with him.

Is that testimony by Mr. Erickson true or false?

Mr. CARROLL. The testimony by Mr. Erickson is true, with one exception.

Mr. BURLING. Name the exception, please.

Mr. CARROLL. I do not do business directly with Mr. Erickson.

Mr. BURLING. Well, how have you done business indirectly with Mr. Erickson in the past?

Mr. CARROLL. Well, Mr. Erickson does business with John Mooney.

Mr. BURLING. I see. You think that Mr. Erickson is just confused; that what he said when he said you, was he meant Mooney?

Mr. CARROLL. No; I don't think, Counselor, Mr. Erickson is confused, but there are many, many people who believe that they do business with me that do not do any business with me.

There are many, many people in St. Louis who, if you would ask, they would say that they are associated with me or do business with me.

Mr. BURLING. And really they are doing business with Mooney; is that it?

Mr. CARROLL. That is correct, sir.

Mr. BURLING. You would deny that you and Mr. Erickson were members of a Nation-wide betting or lay-off syndicate?

Mr. CARROLL. Positively.

Mr. BURLING. Well, when you met Mr. Erickson here, after you testified before the McFarland subcommittee, first, where did you meet him?

Mr. CARROLL. At the Statler Hotel.

Mr. BURLING. Where in the Statler?

Mr. CARROLL. In a suite; I don't know the suite.

Mr. BURLING. Whose suite was it?

Mr. CARROLL. Well, I am unable to answer that.

Mr. BURLING. Was it yours?

Mr. CARROLL. No; it was not.

Mr. BURLING. Was it Erickson's?

Mr. CARROLL. I am unable to answer that. He called me——

Mr. BURLING. Now, he did not call you just for fun, did he? He must have had some purpose.

Mr. CARROLL. Well, Frank Erickson and I have been friends for a great many years.

Mr. BURLING. What did you talk about in this suite at the Statler?

Mr. CARROLL. There again, Senator, I have—my recollection, I hardly—I have no recollection of what I talked about at that particular time. I gave him a copy of the statement that I had made

before the McFarland committee, and as far as the other things, why—as before the McFarland committee, I was in a state of high excitement.

Mr. BURLING. But there were not any microphones there, were there, or were there?

Mr. CARROLL. No, but I was still in the state of high excitement. The microphones, this only aggravates it.

Mr. BURLING. And you are a very excitable man, are you, sir?

Mr. CARROLL. I would say, yes.

Mr. BURLING. All right.

What is your relationship to Frank Costello, if any?

Mr. CARROLL. I have no relationship, I do not know Frank Costello.

Mr. BURLING. You have never seen him?

Mr. CARROLL. Not to my recollection.

Mr. BURLING. How about Mickey Cohen?

Mr. CARROLL. I have no recollection, and do not know Mickey Cohen, and have no recollection of ever meeting him.

Mr. BURLING. Did you know Pete Licavoli before he moved from St. Louis to Detroit?

Mr. CARROLL. No; not to my recollection.

Mr. BURLING. You testify under oath that you did not ever meet Pete Licavoli, do you?

Mr. CARROLL. That is right; not to my recollection.

Mr. BURLING. Going back to your earlier testimony, you said, I believe in substance, that a bookmaker did not need race wire service except to relieve nervous tension; is that in effect true?

Mr. CARROLL. I am certain that that is true, Counselor.

Mr. BURLING. Now, did you seriously mean that, Mr. Carroll?

Mr. CARROLL. Well, I think it is provable.

Mr. BURLING. You might think it is provable; are you serious now or are you fooling?

Mr. CARROLL. Positively serious.

Mr. BURLING. Well, can you explain to this committee how a better in a bookie joint—I am talking about an open one now, such as the one that existed—well, I will withdraw that; I am talking about a bookie joint, in general, a horse room. Will you tell how a better can dare to bet on successive races until there is a race wire coming in so that he knows how the previous races come out?

Mr. CARROLL. Well, Senator, prior—oh, I just don't remember the year, I would say '16 or '17 or maybe a little earlier date than that—the only thing that an operator needed was results. The prices were paid in St. Louis for many, many years in every saloon or in many of the saloons there would be what would be called the overnight prices paid by a price-maker.

Mr. BURLING. May I interrupt you for a moment, Mr. Carroll?

Mr. CARROLL. Yes, sir; surely.

Mr. BURLING. That was before the custom arose whereby the bookie paid track odds; isn't that so?

Mr. CARROLL. Well, the bookmaker paid the price that he had up on his blackboard.

Mr. BURLING. Sure, and those were the odds that he set and not track odds; is that not correct?

Mr. CARROLL. That is correct, sir.

Mr. BURLING. But today it is the almost universal custom among bookmakers to pay track odds, with certain exceptions?

Mr. CARROLL. No; that is not true.

Mr. BURLING. Well, I said with certain exceptions. The exception is that a bookmaker often sets a limit; he will not pay 20-to-1.

Mr. CARROLL. That is true. I misunderstood your question.

Mr. BURLING. But with that exception, it is correct, is it not, that the almost universal custom is for bookmakers to pay track odds, whatever they may be?

Mr. CARROLL. No; no, that is—your question is contradicting itself there. The reason that—if the bookmaker has a 20-to-1 limit he certainly cannot pay track odds. Track odds mean—

Senator O'CONOR. Counsel made it plain that was an exception which he eliminated from his question.

Now, the question is outside of that one exception, is it not true that they observed track odds?

Mr. CARROLL. I believe that is true.

Senator O'CONOR. Yes.

Mr. BURLING. How can a bookmaker operate without race wire service when his obligation is to pay track odds? Does he not have to have this service in order to know what the track odds are?

Mr. CARROLL. No, on the contrary, newspapers, racing periodicals, that would answer the—for many, many years—

Mr. BURLING. You mean the people in a horse room sit around for 2 or 3 days without leaving?

Mr. CARROLL. No, no, no; I think in the horse room, the price maker put up the odds, and the player—then the player—they remove the element of a slot machine in a horse room, and then it is a matching of the wits against the price maker by the player, and he would much more—that would be much more preferable than the mutual operation.

Mr. BURLING. Well, the simple fact is, is it not, Mr. Carroll, that the horse room puts up the odds which it received over the wire which comes originally from Continental, and in your territory, from Pioneer?

Mr. CARROLL. That is correct.

Mr. BURLING. In other words, the track odds regulate what is paid, and the bookie relies on the race wire.

Mr. CARROLL. Yes, sir; but it is not necessary to have the wire.

Mr. BURLING. How in the world would you know within 2 or 3 minutes—

Mr. CARROLL. The racing form, the daily newspaper, the next day.

Mr. BURLING. Mr. Carroll, we all know that the betting goes on up to the post time, and the payoff is within a few minutes after the race is run, and that the newspapers do not come out for an hour or so later, so you could not conduct business as a bookmaker in the way the business is conducted today without a race wire, could you, sir?

Mr. CARROLL. Senator, just as certain as you pass any Federal legislation prohibiting the race wire, you will have thousands of publications published every day in every city where there is enough horse players to warrant it, that will have out an edition after every race.

The CHAIRMAN. Mr. Chairman, may I ask a question?

Senator O'CONOR. Senator Kefauver.

The CHAIRMAN. Mr. Carroll, aside from the horse rooms where the customers come themselves and see the returns right after each race, to know whether they have lost or won, and how much they can bet on the next race, in order to do that, of course, you have to have a wire service.

Mr. CARROLL. That is true, Senator.

The CHAIRMAN. Is that correct?

Mr. CARROLL. That is true.

The CHAIRMAN. Aside from that, is not the best evidence that even a commission horse room or a bookie horse room for bettors who do not come there personally, have to have wire service, the fact that the establishment that you have in some degree been associated with, Mr. Mooney's place in East St. Louis, had wire service, and had a blackboard to put the results on each time so that they could immediately telephone out to their customers who had won and who had lost, and how much it was; and the testimony was that after our committee was in St. Louis in July of last year, and the wire service, I believe, was taken out, that it was very difficult to continue operations? Is that not about the best evidence of the need for wire service even in outfits like Mr. Mooney's, with which you had some association?

Mr. CARROLL. I believe that to be true, Senator.

The CHAIRMAN. Mr. Mooney, and whatever association you had with him, just could not have operated that operation in East St. Louis with the extensive operation you had there without wire service; is that not correct?

Mr. CARROLL. No; it is not correct, Senator.

The CHAIRMAN. Well, you might have operated in a small sort of way with just telephone service, but the fact that you had wire service and had a blackboard and then telephones to call out to the bookies who called in bets, showed, to put it mildly, the great desirability of wire service.

Mr. CARROLL. Well, I would agree with that, Senator.

The CHAIRMAN. And the fact that operations have been greatly curtailed, at least since wire service was taken out, shows that you certainly cannot operate anything like as well without Continental wire service or some kind of wire service.

Mr. CARROLL. Well, Senator, I sincerely believe that the only person, or the only group that the wire service aids is the professional bettor.

The CHAIRMAN. You mean the professional—

Mr. CARROLL. The professional bettor.

The CHAIRMAN. It does not aid people like Mr. Mooney?

Mr. CARROLL. No; certainly not. Anybody could carry on their operation, and I think that is provable.

The CHAIRMAN. Then, I do not understand why they have paid such a tremendous amount for wire service over the course of so many years. The average bettor, outside of one man in Hollywood that we know of, a fellow who calls in his bets, we have only found that, I think, one professional bettor has—that is, an individual bettor has—wire service; that it is only the horse room, the places like Mr. Mooney's place, and the bookie joints that have wire service. The average professional bettor does not have wire service.

Mr. CARROLL. Well, I think there are many people who were described as bookmakers who are, in essence, professional players.

The CHAIRMAN. Well, but these people who were described as book-makers, who are professional players, the testimony shows that they take bets from other people, that other people call in and come and they take their bets, so they are, in fact bookies?

Mr. CARROLL. That, in my opinion, would be solely for the purpose of seeking information.

The CHAIRMAN. Well, the record will show, I think, Mr. Carroll, that all of these places where wire service has been taken out, that they have had tremendous difficulty in operating, and we have had many examples of professional operators of horse rooms, bookie places, and what not, where the wire service has been taken out and they said they had just about had to fold up, might be able to operate in a small, little way, but nothing like they could before; that has been the report to our committee, and they had dozens and dozens of them, but I did not mean to interject my discussion into the counsel's questioning.

Senator WILEY. May I ask just one question?

Senator O'CONOR. You may, Senator Wiley.

Senator WILEY. Supposing that you made wire service illegal, what substitute would you have for it; would radio do anything, television do anything, telephone do anything, outside of the regular wire service?

Mr. CARROLL. No; my thought on that, Senator, is that newspaper publications would be and, I think, under—if I remember right—under the McFarland law, they were to be exempt from it, that would be—all that would be necessary for the operator of a large poolroom to carry on. It would be a distinction as to what constituted a newspaper. I think there would be dozens and dozens in every area with an edition after every race with the winner and the mutuel would be unimportant.

Senator WILEY. I want to ask another question, Mr. Chairman. I want to get this witness's judgment. The large sums of money that are paid for wire service, are they paid for the service plus certain protection against hoodlums or for virtually just the wire services?

Mr. CARROLL. Well, Senator, I would not answer that question. I could not answer that question. I can say only in the operation that I am familiar with that it is not; no one has ever exacted any tribute from us.

Senator WILEY. Well, what I am getting at is, is the large amount of money that is charged, virtually charged for protected monopoly of the service?

Mr. CARROLL. Well, I, of course, would not know that, Senator. I would not. So far as the operation, the operations that I am familiar with, I would say that had absolutely no bearing on it whatsoever.

Senator WILEY. Do you know of any instance except when they got into sort of a conflict between wire services where there was any interference with the wire service?

Mr. CARROLL. Not to my knowledge.

Senator O'CONOR. Senator Hunt.

Senator HUNT. Mr. Carroll, when you were operating in St. Louis how many phones did you have in your place of business, do you remember?

Mr. CARROLL. I think one wall phone.

Senator HUNT. Are you saying to the committee that all of the business that came into your establishment in a day or that left your establishment was done on one phone?

Mr. CARROLL. When I was in the business in St. Louis, Senator, we did not accept any telephone bets.

Senator HUNT. Did you accept Western Union bets?

Mr. CARROLL. At that particular time; no.

Senator HUNT. How many telephones would you estimate were in service in St. Louis alone for the purposes of bookmaking?

Mr. CARROLL. I would have no idea about that, Senator.

Senator HUNT. Do you think I would be in error if I would say there might be several thousand in St. Louis alone?

Mr. CARROLL. I would hesitate to hazard a guess there, Senator.

Senator HUNT. Would I be in error if I would say that throughout the United States there are millions of telephone drops used solely for the purpose of making books.

Mr. CARROLL. Again, I would hesitate to answer.

Senator HUNT. What I am attempting to develop, Mr. Carroll, is I really think you know more than you are telling us, too, I think you know, or to give us an estimate on these questions I am asking you. I think you could be a little more frank with the committee. I think you should be.

Mr. CARROLL. Senator, frankly, I really would not know. I am convinced that the passing of a law to prohibit the transmission of racing information would help the professional pricemaker or oddsmaker immeasurably.

Senator HUNT. We had testimony in New York the other day by an official who was running a daily tabulation on bookie calls, that they were running into the thousands, just from New York to New Jersey. In our work in Florida we would find as high as 30 phones in one horse parlor. We, also, had evidence indisputable that the telephone companies were there ready, prepared, when one bookie was raided within a couple of hours those same phones would be set up, installed in another room, generally very closely adjacent to the one that was raided. I want to develop this point: Without the use of telephones, without using the Western Union, to my way of thinking the bookie could not successfully carry on, because it is the rapidity with which a bet is placed immediately after one race is run that encourages the bettors to keep on betting. If that information was delayed it would not carry with it the same invitation to repeat betting. I do not want to labor this point, but I do want to say this: There can be no question but what the supervisor of a local telephone exchange knows what those telephones are being installed for, knows what business is being carried on over them. There is no question but what the operator of the board, as she receives and places those calls, knows what those calls are, because they are placed in a second or two, they must be rapid and, generally, at certain hours of the day. I think that this committee is not getting, perhaps, at the very root of this trouble. There is no question in my mind but what the highest official of the American Telephone & Telegraph knows exactly that they are aiding and abetting this illegal operation, and I am going to request the committee that we have those people come in and testify as to why they are carrying on these, helping in these illegal operations.

Senator O'CONOR. Have you any comment to make in respect to that, Mr. Carroll?

Mr. CARROLL. No; other than I think that it is untrue.

Senator HUNT. What is untrue, Mr. Witness?

Mr. CARROLL. The statement that you just made.

Senator HUNT. What part of it is untrue?

Mr. CARROLL. That the telephone company and the telephone officials have a knowledge of what is happening.

Senator HUNT. Mr. Carroll, you do not believe a word you are saying.

Mr. CARROLL. Well, Senator—

Senator HUNT. You know as well as you are sitting there they know in detail this type of business.

Mr. CARROLL. To know and to think one knows are two different things.

Senator O'CONOR. Let me ask you this one question in line with what has been asked you. Based upon your knowledge over the years in connection with these operations, do you think that illegal betting could have been carried on to the extent that it has been carried on without the knowledge of and collusion with the law-enforcement officials?

Mr. CARROLL. That I am positive that it did not.

Senator O'CONOR. Well, we will ask you more about that.

Mr. CARROLL. That it requires the collusion or the—

Senator O'CONOR. We will ask you more about that a little later.

The CHAIRMAN. While you are on the subject of what Senator Hunt brought out, I agree with the conclusion that Senator Hunt made fully, that they have to know about these telephone operations. We have an example here. I think, from Mr. Carroll's organization that he has been associated with so long. Here is a digest of the telephone calls over a period, the incoming collect long-distance calls made to the Mooney organization of which Mr. Carroll has been associated over a period of 4 months. You see from the front page of 1 page here how they run. There are 228 pages, single print, of long-distance incoming calls from, apparently, every State of the Union—Florida, Minnesota, Arkansas, Texas, Indiana, California, Michigan, Colorado—I see one here—this is from March to July 1950—this has been compiled by our staff, the incoming collect telephone calls, and I am advised that these come to two numbers. Of course, when one of the numbers would be busy I suppose it would automatically switch to another number. So how many lines there were and how many instruments, is not known, but these literally run into the many, many thousands over a period of those 4 months. So records from Mr. Carroll's own organization, at least one that he allegedly is associated with, would show conclusively, in my opinion, that what Senator Hunt said is true. The telephone companies, of course, are bound to know what these are. And if they did not know from what is on here, the tremendous telephone bill which was brought out in the hearings, \$120,000 in 1 year, paid to the telephone company by the organization with which Mr. Carroll is associated would, of course, put anybody on notice about what these operations were. There was not any dispute about that in the St. Louis hearings. The telephone officials said they knew what they were.

Mr. CARROLL. Senator, I just did not, when I says that I said it was untrue, I meant that the top officials—I just, Senator Hunt, I want to apologize if I, by inference, said that your statement was untrue. I says what I should have says, I believe it untrue that the high officials of the telephone company have any knowledge of any gambling operations; and if they did, what could they do about it?

Senator HUNT. What could they do about it? I think they could very quickly see that those telephones were disconnected if they were being used for illegal purposes, and I disagree with you on your last statement, Mr. Carroll. I think these executives of the telephone and telegraph companies are very intelligent gentlemen. I think they analyze their business daily and monthly and by the year. That is what they receive their rather handsome salaries for. I think they know exactly where their business originates. I think they know the direction of all of their traffic. I think they are pretty well advised on what is happening.

The CHAIRMAN. Mr. Carroll, not to be printed in the record, but anyway so that it will be in our file and a part of our records, so they can be referred to, I ask that these incoming collect calls to Mr. Mooney's place in East St. Louis, 318A Missouri Avenue, East St. Louis, be made a part of the record, because they show very conclusively what the situation is, and I think if I remember the testimony, the telephone man testified in Missouri that he knew that he required a very substantial deposit; that their position was that they had to furnish service unless the local officials asked them to discontinue the service.

Mr. CARROLL. That is what I meant by my answer to Senator Hunt, I believe—

The CHAIRMAN. Anyway, that was their contention. They knew that the service was being given for an illegal purpose, but they felt that they were under some obligation to furnish it unless some protest was made by the law-enforcement officials, but there is not any question but what the officials knew what this was for.

Mr. CARROLL. That might be true. My reply to Senator Hunt—I know this has occurred in a number of times that the telephone company have been mandamusd and forced by court decree to restore telephones.

Senator O'CONOR. The tabulations as offered by Senator Kefauver will be admitted for reference and will be marked and, of course, available to counsel on both sides. Senator Wiley.

(The record of incoming calls to 318A Missouri Avenue, East St. Louis, Ill., is identified as exhibit No. 33, and is on file with the committee.)

Senator WILEY. Mr. Carroll, in connection with the subject that has been brought up here in connection with my previous question as to whether or not the amount paid for service created a sort of monopoly or protection, have you ever seen instances of physical violence, strong-arm methods, beatings in connection with the gambling operations that you know about?

Mr. CARROLL. No, Senator.

Senator WILEY. Can you give us any guess as to the gambling take in St. Louis, Mo.?

Mr. CARROLL. I could only answer for one operation.

Senator WILEY. Well, let's get that. That is pretty definite then, you mean, one operation?

Mr. CARROLL. Well, I think in 1950—no, 1949, I think it was in excess of \$20 million.

Senator WILEY. That is one operation?

Mr. CARROLL. That is correct, sir.

Senator WILEY. How many operations are there in St. Louis?

Mr. CARROLL. Well, that, Senator, that would be a hard question to answer. I would not have any idea.

Senator WILEY. Well, I asked in that connection before for a guess. You now give a definite amount, more or less \$20 million as to one operation. Do you think there are at least half a dozen operations?

Mr. CARROLL. That would be purely a guess, Senator. I just would be unable to answer that.

Senator WILEY. Well, have you any judgment as to it, say, the difference in gamblers, professional and amateurs, in St. Louis, any approximation as to numbers, the number of professional gamblers that enjoy this thing, and how many are amateurs?

Mr. CARROLL. Well, Senator, I really don't know how to answer that question. I think gambling is a biological necessity for certain types. I think it is the quality that gives substance to their day dreams.

Senator WILEY. To their what?

Mr. CARROLL. To their day dreams.

Senator WILEY. No night dreams, then?

Mr. CARROLL. Well—that is what I sincerely believe.

Senator WILEY. Just a minute, just a minute. Let me finish this. I think there is some substance to what you said. That is why I am trying to get this. You know Missouri. You have lived there in St. Louis, you have lived there?

Mr. CARROLL. All of my life.

Senator WILEY. Born there, lived there all of your life?

Mr. CARROLL. That is right.

Senator WILEY. You have made it your life work almost?

Mr. CARROLL. That is correct, Senator.

Senator WILEY. To know this game and know the people that are in it. Now, let's get your percentage-wise of the number of people in Missouri, the total now, professional and amateurs, that are engaging in this business.

Mr. CARROLL. And who are making a livelihood out of it?

Senator WILEY. Yes; the total over-all, I mean, the suckers and the fellows that get the big stuff, see?

Mr. CARROLL. I just would not know. I would say that, oh, attendance at the race track, I would say 10 percent of the population—I think we have a population in the metropolitan area of a million people and I would say that there are 100,000 people in the area who receive or think they receive pleasurable excitement from the act of gambling.

Senator WILEY. All right. Now how many of them would you classify as professionals?

Mr. CARROLL. I would say of the number of people who are making a livelihood and, Senator, this is only a guess——

Senator WILEY. You are about the best man we have got in the guessing game on that subject, sir.

Mr. CARROLL. I would say 10 or 12 hundred.

Senator WILEY. They are the fellows that really get the take?

Mr. CARROLL. They are the fellows who make a living out of the gambling and that is purely conjecture on the theory that at one time in St. Louis there was 150.

Senator O'CONOR. Before you leave that subject, did I understand you to say that the handle in this one operation was about \$20,000,000?

Mr. CARROLL. In 1949.

Senator O'CONOR. 1949?

Mr. CARROLL. Yes; that is right.

Senator O'CONOR. What would you think was the percentage of profit, generally speaking?

Mr. CARROLL. In that particular operation I think it was in the neighborhood of, oh, between \$740,000 and \$750,000.

Senator O'CONOR. Out of the \$20,000,000?

Mr. CARROLL. That is right. That is the gross profit of the operation.

Senator O'CONOR. The gross profit, so it would—

Mr. CARROLL. That would be approximately 3½ or 4 percent.

Senator O'CONOR. Would you think that would apply generally to operations of others who were similarly situated?

Mr. CARROLL. I would think not.

Senator O'CONOR. Greater or less?

Mr. CARROLL. The other operation might be greater, the percentage of profit.

Senator O'CONOR. But your \$20,000,000 was just confined to the one operation?

Mr. CARROLL. That is correct, sir.

Senator O'CONOR. Thank you.

Senator WILEY. I want to pursue this language a little bit further, if I may. You were giving us a rather interesting interpretation, that it was a biological necessity for these people to engage in this activity.

Mr. CARROLL. I said I believed that, Senator.

Senator WILEY. All right. Over the years, seeing that you are our expert today on this subject, would you mind telling us the percentage of those that play the horses that die broke?

Mr. CARROLL. Well, contrary to the general opinion, Senator, there are many, many horse players who make a livelihood playing horses.

Senator WILEY. I understand now when they are about to check in, how many of them die broke?

Mr. CARROLL. I would say there are many, many—well, I would not know about that. There are certain types, but there are horse players who consistently play horses and beat them year in and year out.

Senator WILEY. Would you mind telling me who the principal out-of-State betting commissioners were with whom you dealt in recent years?

Mr. CARROLL. I do no business with anyone.

Senator WILEY. You don't?

Mr. CARROLL. No betting commissioners.

Senator WILEY. What is your average take, that is, the profit?

Mr. CARROLL. Well, my average take, Senator, I have—I directly, I never directly accept any wager or any bet. The operation I am

speaking of, \$20 million or in excess of \$20 million, divided by 310 would be approximately \$60,000 a day, in the neighborhood of \$62,000 or \$63,000 a day.

Senator WILEY. Have you ever, in view of the operation, had any contacts with the police officials of that city for protection?

Mr. CARROLL. Absolutely not.

Senator WILEY. Have you discussed with any police officials any time this matter?

Mr. CARROLL. Absolutely not.

Senator WILEY. Have they ever interfered with your activity?

Mr. CARROLL. Well, now, my activity, Senator, I have practically—have had no physical contact with the business in 25, I think, about 25 years.

Senator WILEY. Just a financial contact?

Mr. CARROLL. Something of that nature. I just would not know how to describe it.

Senator WILEY. All right.

Senator O'CONOR. Just what is the name of the operation—just how do you describe it, that is, of the particular one that you said netted \$20 million?

Mr. CARROLL. Well, it would be two—it would be the John Mooney and Michael Grady.

Senator O'CONOR. And they are affiliated?

Mr. CARROLL. Well, I would say we are associated.

Senator O'CONOR. Associated?

Mr. CARROLL. In the operation of it.

Senator O'CONOR. Senator Tobey?

Senator TOBEY. Do you know a man named Rosenbaum, a gambler?

Mr. CARROLL. I have never met Mr. Rosenbaum.

Senator TOBEY. You want to thank God for that.

Mr. CARROLL. I know who he is.

Senator TOBEY. Do you know what he looks like?

Mr. CARROLL. I haven't the slightest idea.

Senator TOBEY. That is a good thing, too. Now let me tell you, do you know that down in Covington, Ky., the committee's investigation found that there were many telephones listed in the telephone book under the name, Senator Kefauver confirms to me, of the Kentucky Benevolent Insurance Co., in Covington, Ky, and in that room are many, many telephones all used in placing of bets and wagering and gambling. Now, you are a man of business acumen, there is no question about that at all, and I think you are telling us the truth here this morning.

Mr. CARROLL. Thank you, Senator.

Senator TOBEY. So I say this to you, you would not for a moment harbor the thought, would you, that a telephone company who installed those telephones and listed them under a benevolent insurance company does not know they are being used in gambling operations which are illegal?

Mr. CARROLL. Well, Senator, the only answer I can give to that question that I am acquainted with one of the high officials of the A. T. & T. and he said that they were sick and tired of it and I think Mr. Gifford at that time was president of A. T. & T. and he said that

they would give anything, immense sums if they could eliminate what they believed to be unfavorable publicity. I think LaGuardia——

Senator TOBEY. They are against it just because they are going to get unfavorable publicity. They ought to be against the illegality of it. All men do not like unfavorable publicity. What we want is to have a righteous indignation. And the telephone company officials ought to kick them out.

Mr. CARROLL. I am sorry.

Senator O'CONOR. Now, it is your turn.

Mr. CARROLL. I believe that was the stand that Mr. Gifford took. He was—I think this fellow pointed out that they had spent many, many millions of dollars in the developing of good will for the Bell Telephone Co., and I think Mr. LaGuardia was then mayor of New York, and that in substance was the theme of his Sunday morning broadcasts, that the telephone company, if they would exercise due diligence, would certainly stop the handbook operation in the New York area.

Senator TOBEY. Now that you have mentioned LaGuardia, let me interpolate in these hearings, when the Lord took LaGuardia we lost one of the greatest public officials we ever had, above reproach, who called the balls and strikes as he saw them and carried fearlessly to his everlasting credit.

Coming back to my story, sir, now. I want to say to you that this committee will shortly write a report and it has been possible according to testimony that a man in Bangor, Maine, wrote a telegram placing \$25 or \$50 or \$100, I forget the amount on one horse, to place and to show and one to win, so the Western Union would take that money and send it to a State where this gambling is illegal. It is my contention that the Western Union Co. then automatically becomes an accessory before the fact and particeps criminis to the whole illegality of the matter.

This committee, so far as one member is concerned, with whatever ability we have and purpose we have will put into this report some very definite recommendations putting a stop to the use of telephone wires for gambling and the use of Western Union wires for gambling, and that these officials, if they do not know how to do it, I think this committee of five will know how and show the way. I give you that assurance now.

Senator O'CONOR. Senator Kefauver.

The CHAIRMAN. I do not think we got it just right. The \$20 million operation to which Mr. Carroll was referring said that was John Mooney and Michael Grady.

Mr. CARROLL. Michael Grady.

The CHAIRMAN. That is the same operation, is it not, that has a post-office address——

Mr. CARROLL. That is right.

The CHAIRMAN. In St. Louis and a wire room in East St. Louis?

Mr. CARROLL. That is true, Senator.

The CHAIRMAN. That is the outfit that you have had an interest in and that you worked through yourself?

Mr. CARROLL. Well, I would not use the word "interest," Senator.

The CHAIRMAN. Well, the financial interest, anyway, that you made up to about \$110,000 a year one year out of?

Mr. CARROLL. Well, it still in my opinion is not an interest.

The CHAIRMAN. Well, anyway you made \$110,000 a year or something like that out of it and it is still not an interest in the business.

Mr. CARROLL. Well, once again I will have to give you a little background of the operation.

The CHAIRMAN. I do not want to get ahead of the story, but, anyway, it is the Mooney-Grady and maybe Carroll operation out of which you have made considerable money that you were talking about as having taken in or done \$20,000,000 worth of business a year.

Mr. CARROLL. That is correct, Senator; that is correct.

The CHAIRMAN. All right, sir.

Senator WILEY. Was that a manager's salary?

Mr. CARROLL. Manager's salary?

Senator WILEY. Yes.

Mr. CARROLL. I don't know.

Senator WILEY. \$110,000 sounds to me like something. You haven't an interest. What is it for?

Mr. CARROLL. Well, it is a private venture.

Senator WILEY. What do you do for it?

Mr. CARROLL. Well, oh, give advice, furnish financing——

Senator WILEY. And take the returns?

Mr. CARROLL. That is correct.

Senator WILEY. You get the Pioneer Service there, do you?

Mr. CARROLL. Senator, I think the MG operation by, I believe—it was testified that it was in my name, but to my own knowledge I have never paid the Pioneer a check or Pioneer Service Co., a check or cash or anything, maybe, I would say for 25 years.

Senator WILEY. Did they work Des Moines for a number of years?

Mr. CARROLL. I would not know that, Senator.

Senator WILEY. Do you know Lou Farrell?

Mr. CARROLL. Lou Farrell?

Senator WILEY. Yes.

Mr. CARROLL. I can't identify him, Senator.

Senator WILEY. Bart Higgins?

Mr. CARROLL. I am unable to identify him.

Senator WILEY. Kennelly brothers?

Mr. CARROLL. I am still—the names, those names are unfamiliar to me, Senator.

Senator WILEY. Well, they are connected with Des Moines. I was just wondering whether you knew about Des Moines.

Mr. CARROLL. No, I am unfamiliar with—I am unfamiliar with the names, Senator.

Senator WILEY. You never met them or knew them?

Mr. CARROLL. No, not to my knowledge.

Senator O'CONOR. Mr. Burling.

Senator WILEY. Just one more question. Have you any operation in Des Moines?

Mr. CARROLL. No.

Senator WILEY. Directly or indirectly?

Mr. CARROLL. No.

Mr. BURLING. You have no interest, as you describe it, an interest in the Mooney operation at 318-A Missouri Avenue, East St. Louis, Ill., that is your present testimony; is that right, sir?

Mr. CARROLL. Well, that is true, but that would have to be qualified.

Mr. BURLING. Did you not qualify it at all before the McFarland subcommittee, did you—let me read your testimony.

Senator CAPEHART. They placed those bets with you in St. Louis?

Mr. CARROLL. That is right.

And they send you the money?

Mr. SHENKER. What page?

Mr. BURLING. It is at 394 of the record, I am sorry. I will read it over again.

They placed those bets with you in St. Louis?

Mr. CARROLL. That is right.

Senator CAPEHART. And they send you the money?

Mr. CARROLL. That is right.

Senator CAPEHART. You hold the money until the race is finished?

Mr. CARROLL. That is right.

Senator CAPEHART. Will you take a bet on any race track in the United States on any horse at any time?

Mr. CARROLL. Yes, sir; within certain limitations.

Senator CAPEHART. You do that in St. Louis?

Mr. CARROLL. That is right, sir; we have done that.

When did you think up this idea that you had no interest in the Mooney and Grady operation?

Mr. CARROLL. Well, Senator, that was a generalization.

Mr. BURLING. You mean it was untrue?

Mr. CARROLL. No, it was not untrue.

Mr. BURLING. Is your testimony I just read true or false, sir?

Mr. CARROLL. Well, it is neither true or false.

Senator O'CONOR. Mr. Carroll, that really requires an explanation. You did say before it needs to be terribly qualified. What is the terrible qualification?

Mr. CARROLL. Well, Senator, in 1942 I had a license, or I thought I had a license in Reno, Nev. Have you the license?

Mr. SHENKER. Yes.

Mr. CARROLL. I think in an office at 223 Virginia Street, Reno. We had an opinion or thought we had an opinion from a Postal Telegraph manager and their legal department that pointed out it was an absolute legal matter to wire a bet from any point in Illinois and 26 other States to a legalized bookmaker in Nevada.

Mr. BURLING. May I interrupt you just a moment? Were you living in Reno, Nev., at this time?

Mr. CARROLL. No, I was not.

Mr. BURLING. What is the relevance of what you are saying then?

Mr. CARROLL. Well, I am trying—you are asking the question of what is my association or my identification with the Mooney-Grady operation—I am trying—I told you that it would require a little back-ground.

Mr. BURLING. Please proceed, sir.

Senator O'CONOR. Go ahead, Mr. Carroll.

Mr. CARROLL. I have just forgotten where I was.

Senator O'CONOR. Read back his answer.

(The answer was read as follows:)

I think in an office at 223 Virginia Street, Reno. We had an opinion or thought we had an opinion from a Postal Telegraph manager and their legal department that pointed out it was an absolute legal matter to wire a bet from any point in Illinois and 26 other States to a legalized bookmaker in Nevada.

Mr. CARROLL. I secured the license in Nevada, the M. G., that is, for the purpose of identification. They were to solicit or to receive any business in any way that they could in the East St. Louis area or in the Illinois area and to wire it to me in Reno, Nev., and that opinion, the whole crux of it was, it was legal, there was no question about the legality of the player going in to the Western Union and wiring it to Nevada. Now what did Mr. Mooney or Mr. Grady, picking up the bet from the customer in wiring it to me, what did that do to the proposition? The legal department of the Postal Telegraph Co.—I think it was the Postal at that time—believed that it was not illegal. And I made arrangements with Mr. Mooney or Mr. Grady whatever bets that they would accept in the area to be wired to me in Reno, Nev.

Mr. BURLING. What I do not understand, Mr. Carroll, is that you were not in Nevada. How can you get a wire in Nevada when you are not in that State?

Mr. CARROLL. Well, I was licensed—I was licensed by the State of Nevada and had an office in there.

Mr. BURLING. But you were not there; were you?

Mr. CARROLL. No, but I was to hire employees, get—

Mr. BURLING. Did you—

Mr. CARROLL. Employees.

Mr. BURLING. Did you, sir?

Mr. CARROLL. No, I didn't.

Mr. BURLING. You were not there personally?

Mr. CARROLL. Well, yes, during this period; during the period.

Mr. BURLING. You did not—excuse me—you did not, you were not there personally and you did not have employees in the State of Nevada, so what has this got to do with anything?

Mr. CARROLL. Well, you are asking me what is my interest and Senator Wiley asked me why I received \$110,000 from the Mooney-Grady operation in a certain year. Senator Kefauver, I think, asked me that. And I am trying to give the reason for it.

Mr. BURLING. But I, for one, Mr. Chairman, am totally unable to understand how one can justify receiving \$110,000 for being licensed in Nevada to receive bets when one is not in Nevada, one does not have an office in Nevada, or did you have?

Mr. CARROLL. Counselor, I had an office.

Mr. BURLING. You leased one?

Mr. CARROLL. Yes, sir.

Mr. BURLING. In your own name?

Mr. CARROLL. I had an office in Nevada.

The CHAIRMAN. The whole thing is that you had this plan, but your plan never worked out?

Mr. CARROLL. That is true, Senator.

The CHAIRMAN. Then you went on doing business in East St. Louis and St. Louis?

Mr. CARROLL. That is true.

The CHAIRMAN. And the only thing about that is that you contemplated that arrangement but you never consummated it, and in the absence of setting up in Nevada, you carried on in East St. Louis and St. Louis, and made your \$110,000 there?

Mr. CARROLL. That is in substance, true.

The CHAIRMAN. All right.

Senator O'CONOR. Well, certainly the \$110,000 was not paid for a plan that did not work out.

Mr. CARROLL. No; but what I am trying to do, Mr. Burling asked me a question of what association I had with the M. & G. operation, and I was trying to explain that. This plan started, and the Postal Telegraph Co. could not furnish the typewriter necessary for the operation, and during all this discussion about the legality of all this stuff, it was pointed out to us that our position, while it might not have been legal, was to some extent not illegal.

Senator O'CONOR. All right.

Senator WILEY. You still have not answered the question as to what you gave for the \$110,000. You had a license out there in Reno, and never operated it. Did you sell them a license—did you sell them a cat for \$110,000 yearly salary?

Mr. CARROLL. No, Senator; the Mooney-Grady operation was to bet me this one-half of all the money they received, or they were able to solicit, and the other half was to bet to a race track—any race track, it didn't make any difference about the amount, wherever the bet was received—and for that I was to pay them a certain sum of money, and when we learned that the wire was not available, that plan was carried out; in other words, I received \$110,000 in that particular year from the fact that John Mooney, or the M. G. operation, bet me one-half of the money they received.

Senator WILEY. How did you happen to come in contact with him, or had you known him for a long time?

Mr. CARROLL. Who?

Senator WILEY. Mooney.

Mr. CARROLL. I have known him all my life.

Senator WILEY. And Grady. Are they in sports, too?

Mr. CARROLL. Yes.

Senator WILEY. What sports?

Mr. CARROLL. The business of bookmaking, I would say. Now, I believe they are in the business of bookmaking. This is a moot question, Senator, despite—

Senator WILEY. How much do they get each year out of this?

Mr. CARROLL. They would get the same amount that I get, or did get.

The CHAIRMAN. May I ask a question, Mr. Chairman?

Senator O'CONOR. Yes.

The CHAIRMAN. What you mean is that you got 50 percent, and they divided the other 50 between them?

Mr. CARROLL. Proportionately; I think that is so.

The CHAIRMAN. So what the situation is, you took out a wire license and made application for it with the Pioneer News Service, or whatever the service was—we had that, I think, before us in St. Louis—you got the wire service, and you were going to work out this Reno deal, which did not work out; so instead of doing that you transacted business in East St. Louis with your wire service, and St. Louis with your mailing address, and then split the profit with Mr. Mooney and Mr. Grady, where they got 50 percent between them, and you got 50 percent, which in a particular year here amounted to \$110,000. But you actually did not have anything to do with the business; is that the idea?

Mr. CARROLL. In physical operation of the business, that is true, Senator.

The CHAIRMAN. But anyway, it was 50 percent your business; that is the situation?

Mr. CARROLL. No, no. I say that it was a private venture.

The CHAIRMAN. All right.

Mr. BURLING. Do you know a lady named Miss Forrestal?

Mr. CARROLL. Yes; I do.

Mr. BURLING. What was her occupation last spring, if you know?

Mr. CARROLL. I think she was an employee.

Mr. BURLING. An employee of what?

Mr. CARROLL. Of John Mooney.

Mr. BURLING. And she has testified that she saw you from time to time at 318-A Missouri Avenue, East St. Louis, Ill. Would you say that is true or false?

Mr. CARROLL. That would be true.

Mr. BURLING. You did come in?

Mr. CARROLL. That is correct.

Mr. BURLING. How many telephones did they have there? Did you ever look?

Mr. CARROLL. I would think—I believe 18.

Mr. BURLING. Now, is it your opinion, going back to Senator Hunt's question—is it your opinion that alert officials of a telephone company could make a pretty good guess at what the nature of a business was, in a relatively shabby building, where there were 18 telephones?

Mr. CARROLL. Well, the answer to that is——

Mr. BURLING. And a \$110,000 a year bill? I should add that the telephone bill is \$110,000, chiefly for incoming collect calls.

Now, in your opinion, could a reasonably alert official of the telephone company make a pretty good guess as to what was going on in that building?

Mr. CARROLL. Well, the answer to that, I believe, would be "Yes."

Senator WILEY. How about police officials?

Mr. CARROLL. Well, Senator, there we go back to the question of the legality of the operation, or the illegality of it.

Senator HUNT. Mr. Carroll, the counsel's question, or the answer to his question, would just certainly be obvious, it would be impossible for these telephones to operate in that location without the telephone company knowing what they were being used for.

Mr. CARROLL. That is true, Senator, but—I think that is true, that the telephone company tried to discontinue the telephones in that place, and they secured an injunction enjoining them from removing the telephones.

Mr. BURLING. Well, when you say "they," you mean "you"; don't you?

Mr. CARROLL. No; the M. G. operation.

Mr. BURLING. Oh, I see.

The CHAIRMAN. And that is the one you got 50 percent of the profits from; was it not?

Mr. CARROLL. That is true, Senator.

The CHAIRMAN. All right.

Senator HUNT. Is that a partnership, is it a corporation, or do you hold certificates of stock in the company, Mr. Carroll?

Mr. CARROLL. No; it is not a partnership. It is a private venture. That is what I was considering—

Mr. SHENKER. Well, now, that is your interpretation of it anyway?

Mr. CARROLL. That is right.

Mr. SHENKER. Let us get that in the record.

Mr. CARROLL. That is correct.

Senator HUNT. Did you have any written agreements with your partners?

Mr. CARROLL. No, no; I have not.

Senator HUNT. All right.

Senator O'CONOR. You mentioned before that the sum total of the telephone business was about \$110,000 or \$120,000 a year, if I recall correctly; is that about right?

Mr. CARROLL. That is right.

Senator O'CONOR. And on incoming calls, was there a standing rule that all would be taken?

Mr. CARROLL. Yes. Well, now, once again, I believe that the M. G. operation, anyone could call this particular number and reverse the charges.

Senator O'CONOR. In other words, from any point in the United States you were satisfied to take a call collect?

Mr. CARROLL. That is correct, Senator.

Senator WILEY. Do you know any public officials down there?

Mr. CARROLL. Well, Senator, I have been there all my life. I probably know everybody.

Senator WILEY. You have made contributions to political campaigns; have you?

Mr. CARROLL. I have been making political contributions all my life, Senator, but I have never, or I believe I have never, made a contribution in excess of \$200, and I positively have never made any contribution for the purpose of influencing any law-enforcement body.

Senator WILEY. Without naming any names, do some of these very officials that you know so well make bets through you?

Mr. CARROLL. I would say I cannot recall that, Senator.

Senator WILEY. Well, is that a convenient answer or—

Mr. CARROLL. No; it is not. Physically, I never; I don't believe that I have ever accepted a bet in 25 years from anyone but the operators of the M.-G. operation.

Mr. BURLING. I have a question.

Senator O'CONOR. Mr. Burling.

Mr. BURLING. But, you remember, I read to you only a few moments ago the following:

Senator CAPEHART. Will you take a bet on any race track in the United States on any horse at any time?

Mr. CARROLL. Yes, sir; with certain limitations.

Now, were you telling the truth or not?

Mr. CARROLL. Well, what I meant was that the operation would accept a bet at any race track.

Mr. BURLING. You did not say so before the McFarland committee.

Mr. CARROLL. Once again, I was in a state of high excitement.

Senator O'CONOR. But you did consider, when it was asked, whether you would—that you and the operation were synonymous; did you not?

Mr. CARROLL. That is right.

Senator O'CONOR. All right.

Senator WILEY. Then, can I get the answer: Do some of these public officials you know so well place bets now and then or more often?

Mr. CARROLL. I would say no; I believe that to be true. I don't know of any public official who has ever made the operation a bet—maybe on an election; yes—but I just could not be certain of that.

Senator WILEY. Have you or—I don't know what to call it—the enterprise, through any of its so-called partners, ever paid any money to public officials for any kind of protection?

Mr. CARROLL. No. The belief that our operation was not illegal would answer that question. We did not feel it was necessary.

Senator WILEY. Do you mean that you convinced the public officials that it was not illegal?

Mr. CARROLL. It has never come to an issue.

Senator WILEY. Well, then, if it never came to an issue, it means that, either through design, purpose, or neglect, the matter was totally ignored. Is that it?

Mr. CARROLL. Well—

Senator WILEY. Or did you do something to get that neglect?

Mr. CARROLL. No; that is positively not so. That is—I am certain of that, Senator.

Senator WILEY. Did you ever discuss this alleged legal opinion with any of them?

Mr. CARROLL. No; no; I did what I think—if I remember right, I had gone to some lawyer in the hope of getting a declaratory judgment from the courts as to whether it was legal or not legal; but something intervened, and the suggestion came to my mind, "Why find out? Wait until there is some action taken against you," or some action taken against the operation.

Senator WILEY. Well, then, as a matter of fact, you want to say that no public official, nor the police, nor the mayor, nor anyone else, ever interfered with this operation?

Mr. CARROLL. That is in East St. Louis. I think in St. Louis there has always been a harassment program there; that for many years anytime there was a robbery or burglary they introduced the big red herring and locked up a few gamblers.

Senator TOBEY. That is a bad expression to use around Washington, sir.

Mr. CARROLL. And that happened on many, many, many occasions.

Senator HUNT. I suggest we strike it.

Senator WILEY. Now, you said something to the effect, and I want to know whether Mooney or Grady have intimate connection with the politicians.

Mr. CARROLL. I am certain that they have not.

Senator WILEY. Do they take bets from public officials?

Mr. CARROLL. The answer there again would be, "I would not believe that they do."

Senator WILEY. Well, have they, or this concern, made contributions to political individuals or political parties?

Mr. CARROLL. Well, Senator, I have just testified that I have been making contributions to political parties and candidates all my life.

Senator WILEY. Well, you limited the amount at any one time to \$200. Now I am asking you whether you have any knowledge as to what they have done and what amount they have been contributing. After all, you are all in the same boat, the three of you are.

Mr. CARROLL. Well, I am certain that they did not make any contributions.

Senator WILEY. But you have no knowledge on it?

Mr. CARROLL. I have no knowledge of it; that would be the better answer.

Senator O'CONOR. All right, Mr. Burling.

Mr. BURLING. Specifically, Mr. Carroll, are you acquainted with the former sheriff of the county in which East St. Louis is located? That is Saint Clair County, is it?

Mr. CARROLL. No; I have no—

Mr. BURLING. First, what county is it?

Mr. CARROLL. Saint Clair County.

Mr. BURLING. You mean you don't know Sheriff Fisher?

Mr. CARROLL. No; I never met Sheriff Fisher in my life. I would not know him if he walked in this room right now.

Mr. BURLING. I thought you testified a moment ago that you knew almost all the public officials.

Mr. CARROLL. In that particular case, that is one exception. I do not know Sheriff Fisher.

Mr. BURLING. Did you make one of these \$200 contributions to him?

Mr. CARROLL. No, no.

Mr. BURLING. Did he ever do anything at any time in any nature whatsoever to interfere with this operation we are talking about?

Mr. CARROLL. No; he did not, Counselor.

Senator WILEY. I understand neither the sheriff nor the police officials—

Mr. BURLING. The police commissioner—

Senator WILEY (continuing). Never interfered with the operation?

Mr. BURLING. The police commissioner was named English.

Senator WILEY. Sir?

Mr. BURLING. The police commissioner was named English.

Senator O'CONOR. The fact is that none of them undertook to interfere with the operation?

Mr. CARROLL. That is right.

Mr. SHENKER. With the exception that, there was some interference with the operation sometime in 1950, where the telephones were removed from that operation. That will straighten out the question as to whether they ever did anything.

Senator WILEY. Previously thereto, it is clearly understood that neither the police officials nor the county sheriff nor anyone else, running away up to the Governor, ever took any action in relation to the M. & G., as you call it?

Mr. CARROLL. That is correct.

The CHAIRMAN. Mr. Carroll, 1950 was the time when George White was with our committee and came into the room—isn't that the time?—and then Governor Stevenson ordered the phones to be taken out. Wasn't that the time they were interfered with?

Mr. CARROLL. No; I think it was a much later date when the telephones were taken out.

The CHAIRMAN. It was in July 1950.

Mr. CARROLL. Well, the telephones were removed much later than that.

The CHAIRMAN. Yes; but that was upon the order of Governor Stevenson to the telephone company, as I recall; was it not?

Mr. CARROLL. That I would not know.

The CHAIRMAN. Wasn't it, Mr. Shenker?

Mr. SHENKER. That is my understanding. It is my understanding that that took place subsequent to Mr. George White's visit over there and some development.

Senator HUNT. May I ask, Mr. Chairman, were they reinstalled by a court order? Were these phones reinstalled by a court order after they had been removed?

Mr. CARROLL. Not as yet, Senator.

Senator O'CONOR. There is a court proceeding pending, we understand.

Mr. CARROLL. Well, no. We believe the telephone company, or the operation believes the telephone company, removed these telephones illegally. They have only discontinued service.

Senator O'CONOR. The fact is, some matter was instituted in court; was it not?

Mr. CARROLL. Not so far. They have been waiting for the telephone company to make a forced entry or replevin the equipment, and then the answer, I think, will be made by M.-G.

Senator HUNT. The telephone company, after discontinuing the service, did reinstall the service?

Mr. CARROLL. No; not until, I think it was, Senator, sometime in late November.

Senator HUNT. But the telephones were out at one time in 1950, and now they are back in?

Mr. CARROLL. No, no, no.

Senator HUNT. They are still out?

Mr. CARROLL. The telephones are still on the premises, as I understand it.

Senator HUNT. But the service was discontinued?

Mr. CARROLL. The service was discontinued.

Senator HUNT. Now the service has been restored?

Mr. CARROLL. No, no.

Senator HUNT. They are still without service?

Mr. CARROLL. That is right.

Senator HUNT. That is what I wanted to know.

The CHAIRMAN. What happened was that you moved your place of operation to some hotel in St. Louis. Wasn't that about the size of it?

Mr. CARROLL. You are speaking of my operation now?

The CHAIRMAN. I mean M. & G.

Senator O'CONOR. The one you get 50 percent of.

Mr. CARROLL. I would not know just where operation X had moved. I had gone to Florida and, oh, shortly after that, and I really couldn't say.

Senator O'CONOR. Are you still deriving your income from it?

Mr. CARROLL. No, Senator, I am not.

Senator O'CONOR. Is there any financial income to you at all?

Mr. CARROLL. No; not one penny.

The CHAIRMAN. Well, you mean you just have not gotten any right recently, the last 2 or 3 months. You got some in 1950. How about the Park Plaza Hotel; didn't you move your operation X there?

Mr. CARROLL. No; not to my knowledge, and I am almost certain about that. I think John Mooney lives in the Park Plaza Hotel, or lived there for many years.

The CHAIRMAN. All right, Mr. Burling.

Mr. BURLING. Specifically, Mr. Carroll, with reference to officials in St. Louis, the police commissioner is Mr. English—or East St. Louis, rather.

Mr. CARROLL. Yes, John English is the police commissioner.

Mr. BURLING. He is an old friend of yours, is he?

Mr. CARROLL. I think that I have met John English about seven times in my life.

Mr. BURLING. Now, during hearings, the open hearings in St. Louis, Mr. English testified that he had received between the time that he had become police commissioner and up to and through 1949 a total of \$131,000 in political contributions, which he had declared as personal income, and on which he had paid personal income tax.

I want to ask you this question: What part, if any, of that \$131,000 did you contribute?

Mr. CARROLL. I never made a contribution to John English in my life.

Mr. BURLING. But on the other hand, the police commissioner in the past 4 or 5 years—I forgot exactly how long—has done, so far as you know, nothing to interfere with this operation we are talking about?

Mr. CARROLL. Well, Counselor, we are going on the theory——

Mr. BURLING. Has it or has it not?

Senator O'CONOR. Just answer "yes" or "no," and then you may make any explanation you wish.

Mr. CARROLL. No.

Senator O'CONOR. All right.

Mr. BURLING. Now, do you wish to qualify your answer or expand it? Otherwise, I will go on to another point.

Mr. CARROLL. Well, you can go on to another point.

Senator O'CONOR. The committee will now take a recess for lunch until 2 p. m.

(Whereupon, at 12:30 p. m., the committee recessed until 2 p. m. of this same day.)

AFTERNOON SESSION

Present: Senators Kefauver (chairman), O'Connor (presiding), Hunt, Tobey, and Wiley.

Senator O'CONOR. The hearing will please be in order. Counsel?

FURTHER TESTIMONY OF JAMES J. CARROLL, ACCOMPANIED BY MORRIS A. SHENKER, ATTORNEY

Mr. SHENKER. Yes, Mr. Chairman.

Mr. Carroll advises me that during the recess there were two particular questions which were general in nature to which Mr. Carroll

made some answers, and we are not certain that those answers were exactly in the way in which he would like for them to remain in the record, particularly the question which was addressed by Senator Hunt. That question pertained to the idea as to whether it is possible—if I recall correctly, Senator Hunt—for the leaders and owners or directors or persons in charge of the telephone company to carry on such a large business with persons engaged in gambling and still not know anything about it.

Now, that question Mr. Carroll would like for the record to show that he feels that—

Senator O'CONOR. Counsel, we would appreciate Mr. Carroll's doing it, if you do not mind.

Mr. SHENKER. Very well then; I will just recall the two questions.

Senator O'CONOR. What was the second question?

Mr. SHENKER. The second question was the question Senator Tobey asked, in the form of a statement, which was to the effect whether the general operation of bookmaking and bets being transmitted and the amount of bets that were made at any period of time or over a period of time would be affected any if Western Union and Postal Telegraph & Telephone Co. were not to permit the use of their facilities for that purpose.

Now, Mr. Carroll would answer that question also in a manner, which was not very clear in the manner in which he answered it before.

Senator O'CONOR. Thank you.

Mr. SHENKER. Thank you.

Senator O'CONOR. Thank you, Counsel. May I say to the witness that you have heard, of course, your counsel indicate your desire to modify or to enlarge upon or to change in any way at all your testimony previously given, first, in respect to the question asked you by Senator Hunt.

Do you care to do so?

Mr. CARROLL. I think I answered Senator Hunt that I did not think it was untrue or it would not affect it. I do think that the telephone company and the telephones would have some effect on the business today.

(Conference between the witness and his attorney.)

Mr. CARROLL. Well, your question now, counsel informs me, was, "Did the telephone company have a knowledge of the operation?"—and, of course, my answer is, "It could very well be." I don't know, of course, but it could very well be. I think I said that that was not true, if I remember correctly.

Senator HUNT. I do not think you mean that, Mr. Carroll, because don't you know that it would be absolutely impossible for this terrific telephone business, with this 30, 40, or 50 drops in one place, to have those installed without the supervisor in that area, in that district, knowing what they were being installed for? You know, too, the fact is that if a man did that business the supervisor would make that known to his superior.

I think, if I may put the words into your mouth, Mr. Carroll, that there just cannot be any possibility but what the very top of the A. T. & T. and the Western Union know exactly what is going on.

Mr. CARROLL. Then I believe that is true.

Senator O'CONOR. All right.

Now, the second of the two matters, may I say to the witness, that your counsel indicated you might wish to enlarge upon was that with reference to a question propounded by Senator Tobey. Do you desire to say anything further with reference to that?

Mr. CARROLL. I don't recall; what is the question?

Mr. SHENKER. That is the question pertaining to the idea as to whether if the telephone company and the telegraph company and Western Union would withdraw their services and not lend their facilities for the transmission of wagers or information for the making of wagers, whether that would appreciably affect the amount of money that is wagered throughout the United States. I believe that was Senator Tobey's question, substantially.

Senator TOBEY. I will add a clause to that; not only wagered, but affecting the incomes, of those who are in that business, very drastically to reduce them.

Mr. CARROLL. The answer is "Yes."

Senator TOBEY. It seems elementary to me; and I want to say, Mr. Chairman, that I concur in what my colleague, Senator Hunt, has just said. It seems elementary to me, in these days of competition and business acumen being so stressed, that these telephone men know where it comes from, and they point with pride to it, in my judgment, among themselves in the district conventions; and, if they do not know, we will see that they are informed.

Senator O'CONOR. All right.

Now, the next question, Mr. Burling.

Mr. BURLING. I believe at the close of the morning hearing you said that you understood the operation of this anomalous group of you and Grady—and which is not a partnership or a corporation, but is a legal something—that that legal something was waiting for Southwestern Bell Telephone to replevin the telephone instruments which were cut off physically; that is, the wire was cut off at 318 Missouri Avenue, East St. Louis, Ill. Is that correct, sir?

Mr. CARROLL. Well—

Mr. BURLING. The question is just "Did you say it?"

Mr. CARROLL. Yes; I did.

Mr. BURLING. Now, my question is: What does the word "replevin" mean?

Mr. CARROLL. Well, it is forced entry, as I understand it, to recover the property, the recovery of the telephone property.

Mr. BURLING. You never went to law school?

Mr. CARROLL. No.

Mr. BURLING. But you know what the word "replevin" means?

Mr. CARROLL. That is correct.

Mr. BURLING. You have quite a familiarity with legal terminology. You acquired that over the years; is that correct?

Mr. CARROLL. Yes; I would say that would be correct.

Mr. BURLING. You would agree with me, sir, that replevin is one of the ancient forms of action that no longer exists as a code practice?

Mr. CARROLL. Yes; that is correct.

Mr. BURLING. How do you account for the extensive familiarity you have with legal phraseology?

Mr. CARROLL. Well, I have no answer to that question, Counselor, other than I read newspapers and read decisions by courts.

Mr. BERLING. You read the court decisions as they come out; do you?

Mr. CARROLL. Well, yes; I think I read newspapers, and I go through them pretty thoroughly.

Mr. BURLING. Have you ever seen the word "replevin" used in newspapers?

Mr. CARROLL. I think it is a common word in our justice-of-the-peace courts; it is a legalism, to recover——

Mr. BURLING. It may be in Missouri; it is not my experience.

I have not heard the word since I was in law school, sir.

Mr. SHENKER. Missouri is one of the States in which they still use it, Mr. Burling.

Mr. BURLING. I see. Thank you, Mr. Shenker.

Now, going to your testimony before the so-called McFarland sub-committee—and Mr. Shenker, I am going to read from page 381—I am showing you that I am going to read the middle of the paragraph about halfway down the page, where you say:

It is the considered opinion of the persons in this business who are in position to know that there is no connection whatsoever between individuals who are engaged in gambling, bookmaking, accepting bets, brokers, or commissioners and any of the forms of crime which have been the subject of concern to us within recent years.

Mr. CARROLL. The answer is "Yes."

Mr. BURLING. Have you changed your mind, sir?

Mr. CARROLL. No.

Mr. BURLING. Now, you know Mr. William Molasky, of St. Louis?

Mr. CARROLL. Yes; I know William Molasky.

Mr. BURLING. Your operation, this legal anomaly, has been paying him \$350 a week for many, many years; is that correct?

Mr. CARROLL. I think that is correct. I never paid——

Mr. BURLING. You think it is correct?

Mr. CARROLL. That is correct.

Mr. BURLING. And you knew that Mr. Molasky had a partner a few years ago named Ragen, did you not—R-a-g-e-n? Does that refresh your recollection?

Mr. CARROLL. Yes; I think I recollect that he was the head of the Continental News; I did not know Ragen.

Mr. BURLING. He was a partner in Pioneer News; was he not?

Mr. CARROLL. Not to my knowledge, Counselor.

Mr. BURLING. Continental—at any rate, he was engaged in the dissemination of racing information; is that correct, sir?

Mr. CARROLL. That is correct, sir.

Mr. BURLING. And he died of a rather unpleasant malady; did he not?

Mr. CARROLL. I think he was murdered.

Mr. BURLING. Yes. Do you regard murder as a serious crime?

Mr. CARROLL. I do very much, sir.

Mr. BURLING. And do you not know that Ragen was murdered in connection with the bookmaking business?

Mr. CARROLL. I would not know that, Counselor.

Mr. BURLING. I am not asking you as to the truth or falsity of what I am saying, but merely as to the sincerity. I am questioning you about the sincerity with which you testified before the McFarland committee. Is it not known throughout the bookmaking business, at least

as a matter of gossip, that just before Ragen was murdered he testified or he appeared before and gave a statement to the district attorney of Cook County, Ill.? You knew that; did you not?

Mr. CARROLL. Yes; I did.

Mr. BURLING. And you knew that it was said. You knew the gossip was that Ragen told the district attorney that he was going to be murdered in connection with an effort of the Chicago or Capone mob to muscle in on the race-wire service; did you not, sir?

Mr. CARROLL. That is true.

Mr. BURLING. But it is a tie, is it not, at least as a matter of reputation, between murder and bookmaking. Would you agree with that?

Mr. CARROLL. It could be true.

Mr. BURLING. You did not see fit to tell the McFarland committee that a friend of yours had been murdered after he had made such a statement to the district attorney?

Mr. CARROLL. Well, Mr. Ragen—I did not know Mr. Ragen; he was no friend——

Mr. BURLING. You never met him?

Mr. CARROLL. Never met Mr. Ragen in my life.

Mr. BURLING. I see, but he just supplied you with reading information?

Mr. CARROLL. No; I thought, I believe, that the operation bought racing service from, I think it was then, Clarence Owen and Beverly Brown.

Mr. BURLING. It was four people; was it not?

Mr. CARROLL. I would not know anything about the—originally I purchased—the operation originally purchased—the service from Beverly Brown and Clarence——

Mr. BURLING. Well, there was Molasky and Bev Brown, "Gully" Owen, and Ragen, as I recall, is that not correct?

Mr. CARROLL. I knew nothing about the arrangements of the Pioneer News.

Mr. BURLING. By the way, you yourself were at one time—excuse me, Mr. Shenker.

Mr. SHENKER. I am sorry; go ahead.

Mr. BURLING (continuing). You were yourself at one time kidnaped, were you not?

Mr. CARROLL. No, sir.

Mr. BURLING. You were never kidnaped?

Mr. CARROLL. Never have been kidnaped.

Senator O'CONOR. Was there any occurrence which might be described as kidnaping or anything like that that happened in your case?

Mr. CARROLL. In my case, no.

Senator O'CONOR. All right. Mr. Burling?

Mr. BURLING. Without regard to—first, did you know Bugsy Siegel?

Mr. CARROLL. No.

Mr. BURLING. But you had heard of him?

Mr. CARROLL. Yes.

Mr. BURLING. Last year when you testified?

Mr. CARROLL. Yes.

Mr. BURLING. And in the business it was universally known that he was a gambler, was it?

Mr. CARROLL. As far as I knew——

Mr. BURLING. I am asking now solely with respect to the sincerity with which you testified before the McFarland committee, and at the time you testified before the McFarland committee that there was no connection between gambling and serious crime, did you not know that it was universally said that Bugsy Siegel had been a gambler?

Mr. CARROLL. Well, I believe that was his general reputation, Counselor.

Mr. BURLING. Yes; and you believe, at the same time, that he had been murdered, do you not?

Mr. CARROLL. I beg pardon?

Mr. BURLING. You believed at that same time that he had been murdered, did you not, sir?

Mr. CARROLL. Yes; I believe that.

Mr. BURLING. He had his head blown off with a shotgun through a window.

Mr. CARROLL. Yes; I believe that.

Mr. BURLING. And that is a serious crime, is it not?

Mr. CARROLL. Unquestionably so.

Mr. BURLING. But you did not see fit to qualify your statement before the McFarland committee that——

In the considered opinion of persons in this business who were in a position to know, that there was no connection between persons who were engaged in gambling——

I am shortening this, Mr. Shenker——

and any of the forms of crime which have been the subject of concern to us within recent years.

Mr. CARROLL. I am still of that opinion, Counselor.

Mr. BURLING. Who is Mickey Cohen, if you know?

Mr. CARROLL. I beg your pardon?

Mr. BURLING. I said, if you know, who is Mickey Cohen?

Mr. CARROLL. I have not—the only knowledge I have of Mickey Cohen is the publicity he has received in the newspapers. I happen to be a subscriber to a California paper, and he very frequently is——

Mr. BURLING. What paper is that, sir?

Mr. CARROLL. The Los Angeles Times.

Mr. BURLING. And except as you read in the Los Angeles Times you never even heard of Mickey Cohen?

Mr. CARROLL. No, no.

Mr. BURLING. What was it that qualified you to testify as an expert on the gambling fraternity before the McFarland committee, Mr. Carroll?

Mr. CARROLL. Well, that must have been the opinion of the McFarland committee that I was an expert. I never made any claims to be an expert about anything, Counsel.

Mr. BURLING. I dare say you are about the only man in this room who has not heard of Mickey Cohen as a gambler. At any rate, that is your testimony?

Mr. SHENKER. Oh, no; he did not say that.

Mr. CARROLL. I did not say he was not a gambler. Are you asking me what I knew about Mickey Cohen? I told you the only thing

I know about Mickey Cohen is what I read in the—he had the reputation for being a gambler.

Mr. BURLING. I will rephrase my comment, sir. I dare say you are the only man in this room who has not heard through other sources than the Los Angeles Times that Mickey Cohen is a gambler; and I will go on.

You know that Mickey Cohen has been the subject of murderous attacks?

Mr. CARROLL. Yes; I know that.

Mr. BURLING. But you do not want to qualify your statement that gambling is not closely associated with even more serious crimes? You stand on what you said before the McFarland committee?

Mr. CARROLL. I stand on what I said before the McFarland committee.

Mr. BURLING. Who was William C. Russell?

Mr. CARROLL. William C. Russell? I don't recall.

Mr. BURLING. I do not mean to be unfair to you, sir. There is no such person; that is an alias. Don't you know that?

Mr. CARROLL. No; I don't.

Mr. BURLING. Well, all right. Who was Russell McBurney?

Mr. CARROLL. Russell McBurney is an employee of the Mooney—of the M. & G. operations.

Mr. BURLING. What we have been calling this afternoon the legal anomaly?

Mr. CARROLL. That is correct, sir.

Mr. BURLING. Do you not know that William C. Russell used his name in order to obtain numerous telephones at 826 Pine Street, St. Louis, Mo.?

Mr. CARROLL. No; I do not.

Mr. BURLING. You had nothing to do with that?

Mr. CARROLL. No; I had nothing to do with it.

Mr. BURLING. You do not deny it?

Mr. CARROLL. No; I do not deny it.

Mr. BURLING. And you testified, I believe you testified, before the McFarland committee concerning the utility of wire service, did you not, race-wire service, such as the legal anomaly acquired from, bought from, Pioneer for \$350 a week?

Mr. CARROLL. Will you repeat the question, Counselor?

Mr. BURLING. Will you repeat the question, Mr. Reporter?

(The question was read by the reporter.)

Mr. CARROLL. Well—

Mr. SHENKER. Just answer the question, "Yes" or "No."

Mr. CARROLL. Yes.

Mr. BURLING. Will you repeat what you said about the utility of wire service? I can do it, perhaps, more rapidly now that I have found it. I am reading from page 382, Mr. Shenker.

Senator McFARLAND. Now, let's start out first with regard to the bookmaker. What does he need to conduct his business?

Mr. CARROLL. Money; nothing else.

Mr. SHENKER. Where is that?

Mr. BURLING. In the middle of 382, Mr. Shenker.

Mr. CARROLL. Money; nothing else.

Senator McFARLAND. Does he need a wire service?

Mr. CARROLL. No.

Then it goes on, and I am skipping, and is as follows:

Senator MCFARLAND. Is the wire service beneficial to an operator?

Mr. CARROLL. Only as I said in my statement it relieves the anxiety of the bettor. He knows whether he has suffered a loss or a profit.

Now, I believe you testified that this operation paid \$350 a week for Pioneer's news service, race-wire service.

Mr. CARROLL. Yes, yes—I am sorry.

Mr. BURLING. And is it not true that at 318—A Missouri Avenue, East St. Louis, Ill., no customers were allowed to come in?

Mr. CARROLL. That is true.

Mr. BURLING. All the calls were by telephone?

Mr. CARROLL. That is true.

Mr. BURLING. You have been in the betting business for about 45 years, have you not? Horse betting?

Mr. CARROLL. I would say since 1899.

Mr. BURLING. Well, if I can do a little quick mathematics that is 52 years, is that right, sir?

Mr. CARROLL. That is correct.

Mr. BURLING. Are you still very nervous when the ponies are running?

Mr. CARROLL. Well——

Mr. BURLING. You said you were nervous here; but are you nervous——

Mr. CARROLL. Yes.

Mr. BURLING (continuing). When the horses are——

Mr. CARROLL. The answer is "Yes."

Mr. BURLING. And you pay \$350 a week to soothe your nerves while the horses are running, in your establishment?

Mr. CARROLL. Well, Counselor, I did not pay the \$350 a week. I had nothing to do with the physical—I had nothing to do with the physical operation for the past——

Mr. BURLING. How long have you known Mr. Mooney?

Mr. CARROLL. Approximately 25 years.

Mr. BURLING. Is he a very nervous gentleman?

Mr. CARROLL. I could not answer that.

Mr. BURLING. I mean, does he pay \$350 a week to soothe his nerves while the horses are running?

Mr. CARROLL. No; I would not think that would be his purpose for paying \$350 a week.

Mr. BURLING. What is the purpose for paying \$350 a week, sir?

Mr. CARROLL. Well, I wouldn't know just why he would pay, other than it might be—it is the customers might call for a result, or something of that sort, and by giving the customer the result he would have developed good will that might result in some business for him.

Mr. BURLING. So your view is that the customers who telephoned in bets are so nervous that they want to find out and are sufficiently anxious so that it is worth \$350 a week for the operation to pay for this service, just to soothe somebody's nerves?

Mr. CARROLL. Well, it is not that, Senator; I think the horse bettor receives a great deal of pleasurable excitement in the act of betting.

Senator O'CONOR. Mr. Carroll, just let me ask you a few questions in order to determine the volume and the extent of your operations.

Under what names did you operate or have you operated, say, in the recent past, the last—since about 1944 or 1945?

Mr. CARROLL. Well, the operation is in the name of John Mooney or Michael Grady, the Hawthorne smoke shop, and the Maryland cigar store.

Senator O'CONOR. Maryland cigar store? Why did you pick Maryland?

[Laughter.]

Mr. CARROLL. Well, Maryland was one of the first States that had legalized racing, and it was probably associated with that fact.

Senator O'CONOR. Were you connected with anybody in Maryland?

Mr. CARROLL. No.

Mr. BURLING. I see. Where was the location of the Maryland—was it the Maryland smoke—

Mr. CARROLL. Maryland cigar store; at 822 Pine Street.

Senator O'CONOR. Was it not the Maryland book shop?

Mr. CARROLL. I think at one time it was described as the Maryland book shop.

Senator O'CONOR. Why did you describe it as "book"? Did you mean books and periodicals?

Mr. CARROLL. Well, there were books and periodicals sold there; there were scratch sheets, racing forms.

[Laughter.]

Senator O'CONOR. Go ahead. Any of the classics?

[Laughter.]

Mr. CARROLL. No, no; I don't think so.

Senator O'CONOR. Mostly in the variety of scratch sheets?

Mr. CARROLL. That is right.

Senator WILEY. Black Beauty?

Mr. CARROLL. I beg pardon?

Senator WILEY. Black Beauty?

[Laughter.]

Senator O'CONOR. With whom were you associated in that particular concern.

Mr. CARROLL. Well, I was associated with no one. It was the—John Mooney was the owner, and is still the owner of the Maryland Cigar Store and of the Hawthorne Cigar Store.

Senator O'CONOR. How was that name, the Hawthorne Cigar Store—was that used—

Mr. CARROLL. I guess there was—

Senator O'CONOR (continuing). To divert suspicion?

Mr. CARROLL. The name was associated with, maybe, sports.

Senator O'CONOR. And to divert suspicion from the true reason for the operation?

Mr. CARROLL. That could be true.

Senator O'CONOR. Did they sell cigars at all or—

Mr. CARROLL. Yes; they sold cigars.

Senator O'CONOR. But most of the business was receiving bets or handling wagers in one form or another?

Mr. CARROLL. I would say that would be true.

Senator O'CONOR. Well, now, coming then and confining attention, Mr. Carroll, to the volume of the business, you have previously testified that in the M. & G., the total volume in the year was \$20,000,000 in the 1 year we have referred to.

Mr. CARROLL. That is correct, sir.

Senator O'CONOR. I think that was in 1944 or 1945?

Mr. CARROLL. 1949.

Senator O'CONOR. 1949.

Do you have any idea what it was in 1944 or 1945, just approximately?

Mr. CARROLL. I think in the neighborhood of the 20 million dollars, 16, 17, 18 million dollars; it varied.

Senator O'CONOR. It varied. Are we to assume between 16 and 20 million dollars?

Mr. CARROLL. That is correct, sir.

Senator O'CONOR. And was 20 million dollars the highest that you can recall?

Mr. CARROLL. Well, it might have been in excess of 20 million dollars.

Senator O'CONOR. What was the highest?

Mr. CARROLL. Between 20 and 21 million dollars.

Senator O'CONOR. Between 20 and 21 million dollars was the highest?

Mr. CARROLL. That is correct.

Senator O'CONOR. In the same year what was the volume of the Hawthorne Cigar Store?

Mr. CARROLL. I am unable—this is the aggregate volume of both operations.

Senator O'CONOR. How about the Maryland?

Mr. CARROLL. That is the total of the two operations.

Senator O'CONOR. The two.

Well, now, the reason I ask you—I am not trying to lead you to anything except to get the actual figures—we have some other records which indicated that the gross in 1944 of the two, that is, the Hawthorne and the Maryland, aggregated \$8,249,917. Would that—

Mr. CARROLL. I would think that would be incorrect, Senator.

Senator O'CONOR. Incorrect? In what way? You think it is too much or too little?

Mr. CARROLL. It is too little.

Senator O'CONOR. Too little?

Mr. CARROLL. Yes.

Senator O'CONOR. I only referred to Maryland and Hawthorne; I did not mention M. & G.

Mr. CARROLL. Well, the M. & G.—when I used the term “M. & G.” is to describe both units, the Maryland Cigar Store and the Hawthorne Cigar.

Senator O'CONOR. I understand.

Mr. BURLING. In that respect I believe there was an error for which I take personal responsibility; that the figure which you have before you is this witness' personal participation.

Senator O'CONOR. That is what I was going to ask him.

Mr. BURLING. Of 50 percent.

Senator O'CONOR. Whether or not it could be explained on the basis of whether this was your cut or share in the total operation rather than that of the entire operation, that went to Mr. Mooney and to others.

Mr. CARROLL. Well, no, I would think the figures you would have would have to show the total receipts and the total disbursements, and that is—when I am saying in terms of the total receipts for the two

units, I would say the average would be, oh, in the neighborhood of \$18 million for the 4-year period.

Senator O'CONOR. I see. But they ranged somewhere between \$16 million, let us say, at the lowest, up to the \$21 million.

Mr. CARROLL. That is true, Senator.

Senator O'CONOR. And that would be all-inclusive?

Mr. CARROLL. That is right. That would be the total receipts of the two units.

Senator O'CONOR. Now, with respect to your share in the Maryland and the Hawthorne, you answered Senator Kefauver this morning as to the \$110,000 share you got. What did you get percentagewise in the Hawthorne and the Maryland? Would it be on a similar basis?

Mr. CARROLL. Well, the percentage of profit in the Maryland, of course, would be much larger than in the Hawthorne for the simple reason the volume was larger; and I just could not give you the figures in the absence of any records on that particular——

Senator O'CONOR. What portion did you receive, half or——

Mr. CARROLL. One-half.

Senator O'CONOR. One-half; and the other half was divided between the other two?

Mr. CARROLL. No, they were two separate units. One unit he had—he received 50 percent of the profit, that is, he had 50 percent of the profits, and the other unit 50 percent of the profits.

Senator O'CONOR. I see. All right, Mr. Burling.

Mr. BURLING. One minor detail that we did not clear up this morning as to the business operation of operation X; is it correct that large bettors had and could get credit accounts through the country and wire in their bets without actually transmitting money?

Mr. CARROLL. That is correct.

Mr. BURLING. Is it correct that you had a regular business account, that is you, operation X, had a regular business account with Dun & Bradstreet whereby you would call for credit reports?

Mr. CARROLL. That is, the operation had that.

Mr. BURLING. Yes.

Mr. CARROLL. That is correct; that is correct.

Mr. BURLING. In other words, if I wanted to bet \$1,000 on the Kentucky Derby and I wired you requesting that you accept such a bet, you might well have asked Dun & Bradstreet for my credit report?

Mr. CARROLL. Oh, yes.

Mr. BURLING. And if it were satisfactory you would accept the bet without any money from me at all?

Mr. CARROLL. Well, I think primarily the purpose of the inquiry was to establish who the bettor was. I think they were very particular about who they would accept any bets from. In other words, if there were——

Mr. BURLING. You did not look to the social register though, did you?

Mr. CARROLL. No; but it would be this: if we had a bank clerk, I think the policy was if they had a bank clerk, who would be betting they would just not accept the money on the theory that they could have—maybe he could not afford to.

Mr. BURLING. I see. So there were two separate reasons for asking Dun & Bradstreet, one, whether the operation should extend credit;

and the other, to know whether the bettor was stealing the money or absconding?

Mr. CARROLL. That is true; that is true.

Mr. BURLING. That is interesting.

Who was Norman Helwig, H-e-l-w-i-g?

Mr. CARROLL. He is an employee of the M. and G. operation.

Mr. BURLING. You know him, do you not?

Mr. CARROLL. Yes; I know Norman Helwig.

Mr. BURLING. Do you know his signature?

Mr. CARROLL. No, I would not be able to—

Mr. BURLING. Will you admit that he also used the alias H. Norman?

Mr. CARROLL. Not to my knowledge. I would have no knowledge of that, Counselor.

Mr. BURLING. Mr. Chairman, I offer in evidence a check payable to N. Helwig in the sum of \$16,090, dated December 3, 1949, drawn on the Southern Maryland Agricultural Association, and signed T. J. O'Hara, which is endorsed "N. Helwig" and then has a second endorsement, "For deposit only, Charles Town Jockey Club."

I will ask you to look at that, if you will, and tell us what you know about it. [Handing document to witness.]

Mr. CARROLL. I would know nothing about it, Counselor.

Senator O'CONOR. Did you ever see the check before?

Mr. CARROLL. No; never to my knowledge; no.

Senator O'CONOR. Or were you interested in it so far as being consulted about it or—

Mr. CARROLL. No, no.

Mr. BURLING. What does Mr. Helwig do for the operation?

Mr. CARROLL. He is, as you have described, an agent stationed at race tracks of America for the purpose of—

Mr. BURLING. My description was—

Mr. CARROLL. I think you called him "come-back."

Mr. BURLING. I believe so, and that was the correct term in the trade, was it not?

Mr. CARROLL. Yes; that is correct.

Mr. BURLING. May that be received in evidence?

Senator O'CONOR. Yes; it will be received.

(The document was received in evidence, identified as exhibit No. 34, and is on file with the committee.)

Mr. BURLING. I offer now a check dated October 14, 1950, payable to N. Helwig, drawn on the account of the Southern Maryland Agricultural Association, signed by O'Hara, endorsed by Helwig, with some initials under it that I do not understand.

Senator O'CONOR. Counsel?

Mr. BURLING. Will you examine that and see if you can tell us what it is? [Handing document to witness.]

Mr. CARROLL. I don't recall ever seeing this check, Counselor.

Mr. BURLING. As you have already testified before one Senate committee, as an expert in this business, we are inquiring into—what do you suppose, what is your best expert judgment, that this check represents?

Mr. CARROLL. Why, it represents, in my judgment—it represents a sum of money wired by the operation to Norman Helwig for the purpose of buying the tickets or making bets at the race track.

Mr. BURLING. Well, no, sir, the checks are drawn on the bank account of the Southern Maryland Agricultural Association, on the Union Trust Co. of Maryland; that is the name of the Bowie track, is it not, of the corporation that operates the Bowie track?

Mr. CARROLL. I think so.

Mr. BURLING. So it is not wired by the operation to your come-back money agent, is it?

Mr. CARROLL. Well then, that is a return. Will you let me see the check again, please?

Senator O'CONOR. Do you not think that it is a restoration of the amounts put up by the operation with the track?

Mr. CARROLL. That could very well be, Senator.

Senator O'CONOR. You are welcome to see it.

Mr. BURLING. To be even more specific, sir, does not the fact that the check bears—

Mr. CARROLL. Why, sure, that is—

Senator O'CONOR. What do you think it is?

Mr. CARROLL. It is a sum of money that was on deposit at the Southern Maryland; I believe this was the sum of money on deposit at the Southern Maryland Agricultural Association in the name of Norman Helwig, and it was, the check was paid to Mr. Helwig.

Mr. BURLING. As a matter of fact, it is probably a transfer of a deposit from Bowie to Charles Town, is it not?

Mr. CARROLL. That could very well be.

Mr. BURLING. Charles Town; there is a large race track at Charles Town, W. Va.?

Mr. CARROLL. That could very well be, but I am just assuming this would be—

Mr. BURLING. Look at the endorsement, sir.

Mr. CARROLL. Well, yes, I would say that that is correct; that is correct.

Mr. BURLING. I have one more check, payable to Helwig, in the sum of \$10,150, signed by O'Hara, drawn on the same account, dated October 14, 1950, also endorsed by Helwig, which I offer in evidence.

Senator O'CONOR. It will be admitted after counsel sees it and desires to make any inspection.

Mr. SHENKER. It is perfectly all right to admit it, and I would like to show it to the witness.

(The document referred to will be found in the files of the committee identified as exhibit No. 35.)

Mr. BURLING. I now offer a check which bears the endorsement stamp "For deposit only, Charles Town Jockey Club," drawn on Southern Maryland Agricultural Association, signed by O'Hara, dated November 27, 1948, in the sum of \$50,000 payable, to H. Norman, and bearing the first endorsement, H. Norman. I ask you to examine this check and the checks which are endorsed by Helwig and see if that does not refresh your recollection that the name H. Norman is an alias used by Helwig while he was acting as come-back money man for your operation, for the operation?

Mr. CARROLL. Well, I do not know that.

Mr. BURLING. Will you look at the endorsement, and see if that is not obviously so?

Mr. CARROLL. It does look very much like the same.

Mr. BURLING. Very well.

Mr. CARROLL. It could very well be.

Mr. BURLING. At least, you know who John Mooney is, do you not?

Mr. CARROLL. Yes; I know John Mooney.

(Exhibit No. 36, on file with the committee.)

Mr. BURLING. I offer in evidence, Mr. Chairman, a check dated December 2, 1950, drawn on the bank account of the Southern Maryland Agricultural Association in its account in the Union Trust Co. of Maryland, signed by O'Hara, in the sum of \$20,105, deposited in the First National Bank of St. Louis, in the John Mooney special account. Do you know anything about that check, sir?

(Exhibit No. 37, on file with the committee.)

Mr. CARROLL. Well, of my own personal knowledge I know nothing about this check, other than I believe it to be a deposit that was—

Mr. BURLING. Now, Mr. Carroll, this committee has been looking for Mr. Mooney since before December 2, has it not?

The CHAIRMAN. As a matter of fact, we were looking for Mr. Mooney last July when we had executive sessions in St. Louis. We could not find him then. We could not find him for the last open hearings. Maybe Mr. Carroll can tell us where he is.

Mr. CARROLL. Well, I think he is in California, or in Las Vegas, Nev., was the last time I heard from him.

The CHAIRMAN. Mr. Carroll, what was that John Mooney special account? Is that the account for operation X out of which you got 50 percent?

Mr. CARROLL. That is—it is the bank account of a part of the operation X, that is the Maryland Cigar Store part of operation X.

The CHAIRMAN. John Mooney special is the Maryland Cigar Store operation X?

Mr. CARROLL. No; John Mooney special account is his own personal bank account.

The CHAIRMAN. But then the moneys deposited that way and then later divided up between you and between Mr. Mooney and his other partners?

Mr. CARROLL. That is correct, Senator.

Mr. BURLING. Who has the power to draw on this account?

Mr. CARROLL. I think there is a Harry Landzettel, Russell McBurney, and at the moment that is about all I can think of.

Mr. BURLING. How about James J. Carroll?

Mr. CARROLL. I cannot draw on it. I have not the right to draw on it.

Mr. BURLING. Insofar as you know, who handles the bookkeeping of the account, that is, who do you think physically stamped the check, "John Mooney special account"—Mr. Mooney himself, apparently, was in hiding?

Mr. CARROLL. What is the date on it, you say?

Mr. BURLING. December 2, 1950. This is some months after this committee started to look for him.

Mr. CARROLL. Well, it could have been either Russell McBurney—that at the moment is all I can think who would have it—I think Mr. Landzettel retired, I believe, previous to—

Mr. BURLING. Mr. Chairman, I have one last check dated November 27, 1948, payable to John Mooney, signed by O'Hara, drawn on the same bank account, same bank, and deposited in the John Mooney

special account, in the sum of \$34,215. I think it ought to be made a part of the record.

Senator O'CONOR. It will be so marked, and counsel afforded an opportunity to inspect it.

Mr. SHENKER. It may be marked. Very well.

(The document referred to will be found in the files of the committee identified as exhibit No. 38.)

Senator O'CONOR. Senator Tobey?

Senator TOBEY. Mr. Carroll, you said this morning, as I remember it, that you would accept a bet on any track in any part of the United States, with certain limitations; is that correct?

Mr. CARROLL. I did not say that here this morning. I think I testified to that before the McFarland committee.

Senator TOBEY. Yes; but I think it was referred to this morning.

Mr. CARROLL. Yes, sir.

Senator TOBEY. Now, going on——

Mr. CARROLL. Yes; I would do that, Senator.

Senator TOBEY. Now, going on, kindly, what was the modus operandi, the mechanics of receiving the money wagered or paying off in money the bets that you lost?

With that question before you, may I ask if that is the answer, is it not the procedure that you, Mr. Carroll, only did business all over the country through subagents, these subagents operated, each one of them, under a code, each subagent using a different code, and you would not accept a bet from a stranger, say, in California, only would accept it if transmitted to you through one of your subagents by code; is that correct.

Mr. CARROLL. No, it is not, Senator.

Senator TOBEY. Will you tell me where it is not, kindly?

Mr. CARROLL. Well, I don't think that there was any, ever, use of a code made in the operation. I do things for the purpose of identifying credit of customers. There was a code used in the operation, for example, there would be—the operation would have large sums of money on deposit.

Senator TOBEY. For instance—excuse me.

Mr. CARROLL. By customers from all over the United States, and there was sometime there would be a question of the making of a bet with the operation and then denying the bet.

Senator TOBEY. Well, manifestly you cannot deal with people all over the country in the various race tracks, you have to have some agents to act for you; is that not correct, so far?

Mr. CARROLL. That is correct; that is correct, sir.

Senator TOBEY. So that if John Smith, we will say, out in California, for illustration, wants to place \$500 on a race in some track, he would of necessity go to one of the agents of Mr. Carroll and make his arrangements with him; is that correct?

Mr. CARROLL. Yes, that would be correct; that is, they could not through Mr. Carroll. The operation is the one who would accept the wager and it would be quite possible for a customer in Maryland, at Bowie or Harve de Grace, to call on Mr. — call on the operation's employee over there and say that they wanted to do business with the organization, and give him a deposit of \$500 or \$1,000.

Senator TOBEY. Assume again my friend wants to bet in California and he wants to bet \$500. He would know where Mr. James Carroll's

agent was in California and he would go to him and say, "I want to put down \$500 to win, place, or show, on such-and-such a horse, at such a track"; is that correct so far?

Mr. CARROLL. No, it is not.

Senator TOBEY. Well, now, go ahead, please, and tell me what is wrong.

Mr. CARROLL. We do not have any agents.

Senator TOBEY. How would John Smith in California bet \$500 on a nag, we will say up in New Hampshire, at the Rockingham race track? How would he do it and place it with you?

Mr. CARROLL. Well, John Mooney is a widely known person. He is financially dependable, and there are many people who are going to bet a sum of \$500 who would naturally want to know if they were going to be paid, and they would seek a man like John Mooney.

Senator TOBEY. The man in California; who would he find to place that bet for him?

Mr. CARROLL. Well, he could go into a Western Union in California. I do not think they can under the California law. I do not believe it can be bet in California.

Senator TOBEY. We will take some State that it could be; he would go in to a State where it could be, Nevada, for instance.

Mr. CARROLL. Well, yes; he could go in and wire it to John Mooney, East St. Louis, Ill.

Senator TOBEY. I see. How would he have to wire the money—by Western Union?

Mr. CARROLL. That is right. He has to wire the money.

Senator TOBEY. It is not done through a system of letter credits or credit balances at all?

Mr. CARROLL. No, unless the credit——

Senator TOBEY. Do you have such customers?

Mr. CARROLL. Yes.

Senator TOBEY. Having large amounts out on credit?

Mr. CARROLL. Yes.

Senator TOBEY. When is the settlement date, every day, week, or month; how is it done?

Mr. CARROLL. Well, there is no settlement for any particular date. The customer deposits a sum of money with the operation.

Senator TOBEY. Well, now——

Mr. CARROLL. And he may leave it up for a period of a year without ever settling.

Senator TOBEY. Without striking a balance, so you would have credits and debits for a year's operation before you go to the adding machine and before you compute what he had coming to him?

Mr. CARROLL. That is right.

Senator TOBEY. How large would the balances be in some extraordinary cases for a year waiting for settlement?

Mr. CARROLL. I would think the aggregate would run to a six-figure sum.

Senator TOBEY. A six-figure sum in some cases?

Mr. CARROLL. Yes.

Senator TOBEY. And do you call that income until the actual settlement is made?

Mr. CARROLL. No, no, no; that is not income. That is deposit.

Senator TOBEY. That is a deposit?

Mr. CARROLL. That is a deposit put up by the customer, has nothing to do with the income.

Senator TOBEY. Then what does he show as evidences of debt?

Mr. CARROLL. He has nothing to show that he has a deposit up. In fact, in many instances we do not know who the party is.

Senator TOBEY. And how do you keep track in your books of this fellow out in California that would wire in to Mooney in East St. Louis by name or by number or by code?

Mr. CARROLL. By name.

Senator TOBEY. And you credit him with that amount of money?

Mr. CARROLL. That is correct.

Senator TOBEY. How much credit has a man to establish to have one of these yearly balances you speak of?

Mr. CARROLL. This fellow, the one that I am describing now has no credit. He has a deposit up with us. The only way he can bet is the fact that he has the deposit.

Senator TOBEY. Well, if he loses, or, rather you lose, he may have a credit, may he not, you would owe him some money?

Mr. CARROLL. Yes.

Senator TOBEY. How would that stay in abeyance for a year?

Mr. CARROLL. Yes, unless he would call for it. He might ask for it to be wired to him or he might call at one of the men at the race track and say we would have the man at the race track pay him.

Senator TOBEY. Then, is it true—

Mr. CARROLL. Not "we," the operation would have to pay him.

Senator TOBEY. Then is it a truism that in the racing business, as you understand it, and I think you understand it very thoroughly, you have had a long career in it, in that business is it a fact that no codes are used at all?

Mr. CARROLL. Well, I could not answer that. I can only answer—I am talking about the operation, and now there are codes used to identify—you are correct, Senator, there are codes use to identify the customer, in other words, if a man had a \$5,000 deposit—

Senator TOBEY. Who makes up the codes?

Mr. CARROLL. Well, usually the customer himself.

Senator TOBEY. And can you give us some of the code words used?

Mr. CARROLL. I would not be able to do that.

Senator TOBEY. How would you identify them yourself, you have a little book with them all down there?

Mr. CARROLL. No. They would just—the very fact that the name they mention, in other words, if we have John Smith who has a \$5,000 deposit on the card we would not accept when John Smith calls, he would have a name that he uses to identify John Smith. He might call himself John Jones. That would be the code.

Senator TOBEY. From your experience and associations in this business are codes used at all by other operations other than the actual placing of bets, certifying balances or asking about credit risks and so forth, are there codes used?

Mr. CARROLL. I would not know that, Senator. I would not know that.

Senator TOBEY. All right. That is all.

Senator O'CONOR. Any other questions?

Mr. BURLING. I have one remaining point. Do you recall testifying—Mr. Shenker, you might look at page 384 of the McFarland

committee hearings—Mr. Carroll, you testified that most tracks may, out of 85 percent of the money bet, that they retain 15 percent for the track and for the State and local taxes, and that the remaining 85 percent is split up and paid out to the winners, is that right?

Mr. CARROLL. Yes, that is true.

Mr. BURLING. And you testified that a book, that the way a bookmaker made a profit was that he kept the same 15 percent theoretically, not on any one race, but on the law of averages, and that the maker's theoretical profit was the same 15 percent, is that correct?

Mr. CARROLL. Yes; that is correct.

Mr. BURLING. And you further testified that if a bookmaker were large enough, his profits ought to come out as a matter of statistics at around 15 percent of the money he bet, his profits less his telephone bills, and so on?

Mr. CARROLL. Yes. That is, providing the factors were equal, Counselor.

Mr. BURLING. Senator McFarland said to you, as I remember it—as I read it now:

In other words, as I understand your answer, putting it in my words, is that if he is a big enough operator it will balance itself in time. He might lose some one day, but in the end it balances itself. Is that true?

and you said——

Mr. CARROLL. That is correct with the qualification if all factors were equal.

Mr. BURLING. And you said that it was correct, yes. And talking about gross profit and not counting office expense, telephones.

Mr. CARROLL. That is right.

Mr. BURLING. And so on.

Mr. CARROLL. Yes.

Mr. BURLING. And going back to page 384 you said, referring to a hypothetical bookmaker:

He has a theoretical profit, in other words, if you were to wager a \$5 bill on a race that is to be run in Maryland today the bookmaker has a theoretical profit on that \$5 that is equal to the amount that is taken out by the State of Maryland and the management of the track.

Mr. CARROLL. That is correct, providing, of course, with the qualification that all of the factors were equal.

Mr. BURLING. Well, the factors that might be dissimilar are telephone, telegraph expense?

Mr. CARROLL. No, no, no, no. There is a regular—there is a difference in it.

Mr. BURLING. Well, what is the difference—what is the difference?

Mr. CARROLL. Well, there is not enough thoroughbred horses to go around with, to begin with, and they cannot make up an equal race; in other words, the racing secretary of today is faced with the proposition of, oh, making up a race and he has three or four horses. Only those three or four horses have a chance. The rest no chance. Now if all of the horses in that race had an equal chance of winning then the bookmaker should certainly, should keep exactly what the race track subtracts from the pool, but the fact that there is only four or five horses in that race that have a possible chance changes the problem entirely.

Mr. BURLING. You did not think of that qualification while you were testifying?

Mr. CARROLL. I think I did. Didn't I say that here?

Mr. BURLING. Will you point it out, please?

Mr. CARROLL. It is here some place.

Mr. BURLING. All right. There is, however, a countervailing factor which gives the bookmaker an advantage, is there not, namely, that if I bet \$2 legally at a track, let us say at Bowie, on a horse that wins at 50 to 1, I get paid 50 to 1; if I bet with a bookie I get paid 10 or 20 to 1, according to the bookie's rules?

Mr. CARROLL. Not in the operation, John Mooney MG operation.

Mr. BURLING. I can bet with John Mooney and they will pay me 100 to 1 if it pays 100 to 1?

Mr. CARROLL. They will pay exactly what the race track pays.

Mr. BURLING. I see. All right. In any event, so far as you know, what we have been talking about—is this operation, whatever you call it, the largest operation in America, is it not?

Mr. CARROLL. I would not know about that.

Mr. BURLING. At any rate, you cannot think after 45—no, excuse me, I did not mean to minimize your experience, 52 years in the business, you cannot think of a name of a larger operation, can you?

Mr. CARROLL. At the moment, no.

Mr. BURLING. All right. So that if we say a big bookie should be able to get the theoretical 15 percent that you talked about before the McFarland committee, certainly your operation which is—and I am speaking collectively of your operation—should be able to average out or count on the law of averages or the law of statistics, is that right?

Mr. CARROLL. That is true, if all factors were equal.

Mr. BURLING. Yes. So that with the qualifications just put in the operation should make a net of, or, rather, excuse me, a gross profit of 15 percent of the amount bet?

Mr. CARROLL. That would be true, Counselor, only if all of the factors are present; in other words, if there are 12 horses in a race or 10 horses in a race and there is only 3 or 4 have a chance of winning, maybe 2, 3, 4, or 5 to 1, it is possible for the player to bet on all 4 of those horses and have a profit and the bookmaker has a loss.

Mr. BURLING. In any particular race, you are right, but you testified before the McFarland committee, (a) that the theoretical profit was 14 percent, and (b) that the law of averages would see to it that if a bookmaker were big enough he would get that, did you not?

Mr. CARROLL. That is true. There must be this qualification.

Mr. BURLING. You did not have a qualification before the McFarland committee.

Mr. CARROLL. I did.

Mr. BURLING. If you did, please show it to us.

Mr. SHENKER. I would have to read the entire testimony which would take some hour or hour and a half in order to find it. The testimony is there.

Mr. BURLING. I believe the record will show; however, I would respectfully request the Chair to ask Mr. Shenker to advise us in writing if he can find any such testimony.

Senator O'CONOR. Yes, sir.

Mr. BURLING. I have read it and I cannot find it.

Mr. SHENKER. I will be glad to do that.

Mr. BURLING. Thank you, sir.

Senator O'CONOR. I just want to ask you one or two questions. What is your description of a horse room?

Mr. CARROLL. Well, it is a room where usually with blackboards on the wall, jockeys, post positions, entries, probable prices. That is the horse room of today. In some places I think they put up their own prices.

Senator O'CONOR. And quite a sizable lay-out, is it not?

Mr. CARROLL. Yes; that is true.

Senator O'CONOR. And, of course, set up, established, and maintained for the purpose of accepting the bets and wagers?

Mr. CARROLL. That is correct.

Senator O'CONOR. And in a number of the metropolitan areas and elsewhere throughout the country patronized very extensively; are they not?

Mr. CARROLL. Yes; that is true.

Senator O'CONOR. Of course, generally speaking, they are operated in violation of law?

Mr. CARROLL. That is true.

Senator O'CONOR. Well, now, I asked you this morning and possibly you took the question to mean something else than I intended, whether or not you did not believe that widespread operations—and I had in mind that type of operation—could be conducted for an extended period without collusion with the law-enforcement officials, the police and otherwise; I understood you to say that you did not think there need be collusion. Now do you think that it is possible to have those places operated for any length of time without the knowledge of and the connivance and the collusion of law-enforcement officials?

Mr. CARROLL. Well, if I could—the condition in the St. Louis area at one time was—would certainly refute that belief.

Senator O'CONOR. In what manner, will you be more specific, a little more specific?

Mr. CARROLL. Well, I do not recall the year, but in 1925 or 1926 the police conducted a policy of harassment. The procedure was to come into these various cigar stores, arrest the customers and the operator. They were usually brought to a police station and booked, I believe, is the word, and in many, many cases sent to the police court. Along about that time we had a president of the police board who was a very courageous, honest police official, but he had some belief—his belief, particular obsession, was professional bondsmen. He had some evidence that had come to his attention that many of these arrests were caused by professional bondsmen telephoning or writing to the police officers. And he thought that was an evil. And he wanted to correct it. And he thought the best way to correct it was to remove the profit from the professional bondsmen, and he caused an order to be issued that the police officers were to arrest the operator and not arrest the players.

Well, naturally, you had three members of the gambling squad and if either one of them, if you offered as much as a cigar, one of them, in particular, I believe, would crack you in the head, in the face. But it was—it was a long time getting around from one point to another. And it was only just a question of time until the players would wait for the operator to come back, and it developed into a thing where there were rooms with 100 to 150 people that were engaged in playing the horses. And the police would come in. They'd lock up the clerks.

They'd bring them to the police station. The customers would wait for the clerks to come back and they'd resume business right where they started.

Senator O'CONOR. Do you mean to say that that carried on during the regime of this very courageous man?

Mr. CARROLL. I think it was for a period of 8 years.

Senator O'CONOR. Mr. Carroll, our experience is vastly different. He may have been very courageous, but he was not a very capable police officer if he allowed conditions like that to operate.

Mr. CARROLL. That is the exact story in the St. Louis area.

Senator O'CONOR. All right. Senator Wiley?

Senator WILEY. This morning you said something to the effect that you figured that about 10 percent of the population were mixed up in this business of gambling, and you felt that the term "biological instinct" characterized that action. Do you mean that it is in the same line with the instinct of self-preservation?

Mr. CARROLL. No; I think the horse player, he gets a lift from the playing of horses. It answers all of his problems. He thinks that just sooner or later his figures will start to click and his troubles will be over.

Senator WILEY. In legitimate gambling out at the race track I am interested in knowing what publicity is given to the winnings and what publicity is given to the losses, because if this instinct that you speak is biological, it is probably generated by some propaganda bug that causes them to want to take chances. Will you please answer that question, what publicity is given to the winnings, so to speak; how is that worked—10 percent of our population are engaged in this undertaking—I want to know what is feeding that biological instinct.

Senator TOBEY. Mr. Carroll, is it not a fact that biological instinct all down through the centuries has caused a lot of complications and trouble, has it not?

Mr. CARROLL. That is correct, very true; that is true, Senator.

Senator WILEY. Please answer my question. I am interested, because we are living in a propaganda period and I am trying to find out if some of these biological instincts can be done away with by some other method than seeking to whip it by law. What is your judgment?

Mr. CARROLL. Well, I think the public press carries accounts of any large winnings by individuals at any race track. If there happens to be a daily double that would pay eight or ten thousand dollars, the public-relations man, I suppose, he sees to it that that gets on the front page.

Senator WILEY. You see to it, do you not, your M. & G. operations sees to it, do you not?

Mr. CARROLL. Oh, no, no, no.

Senator WILEY. Who does it, you say, who is it?

Mr. CARROLL. The race tracks.

Senator WILEY. The race tracks?

Mr. CARROLL. That is right.

Senator WILEY. Oh, yes. Well, now, is the M. & G. operation, in your judgment, a constructive force in the community?

Mr. CARROLL. Well, Senator, I can only answer that question by saying there are many people who believe that gambling is not immoral.

Senator WILEY. You think it contributes to the spiritual life and integrity of the community?

Mr. CARROLL. Personally, I believe that all gambling legislation originated or stems from some group or some individual seeking special interests for himself or his cause.

Senator WILEY. Have you any children?

Mr. CARROLL. Yes, I have a boy.

Senator WILEY. How old is he?

Mr. CARROLL. Thirty-three.

Senator WILEY. Does he gamble?

Mr. CARROLL. No.

Senator WILEY. Would you like to see him grow up and become a gambler, either professional or amateur?

Mr. CARROLL. No.

Senator WILEY. Do you think that churches of America are right in condemning gambling and pointing out that it is a blight on this country?

Mr. CARROLL. No.

Senator WILEY. Do you think that Congress should seek to reduce gambling to the absolute minimum that is humanly possible for us to cut it down to?

Mr. CARROLL. Well, those questions are academic, Senator. I would not know how to answer them. I know that England has wrestled with this problem for sixteen centuries. I know that gambling and the keeping of gambling houses was not unlawful until 1388 when Charles II caused a law to be passed in the interests of archery. He thought it would fit the subjects for service, would make them more fit for service in war.

Senator WILEY. Why do you not——

Mr. CARROLL. That was the original, the origin of all gambling legislation.

Senator WILEY. All right. Is your son interested in your business?

Mr. CARROLL. No, he is a manufacturer.

Senator WILEY. Why do you not get him into the business?

Mr. CARROLL. Well psychologically a great many people are unsuited for gambling.

Senator WILEY. That brings me to this question. Out of the ten percent that do gamble, how many are unsuited for gambling, how many literally lose their coat and vest, if not their pants, so that the result is that in homes, clothing and rent and food and children suffer?

Mr. CARROLL. I do not know that, Senator.

Senator WILEY. Now this morning I asked you whether you contributed any money for political candidates or parties, and you said not more than \$200 at any one time. I presume that does not indicate the total of your contributions in any one campaign, does it?

Mr. CARROLL. Well, it might, might not, Senator. I have been an "against" in many instances. I have contributed. I am a reader of the Nation for 50 years and they have advertisements calling for contributions for different candidates, different causes, and if the candidate, I think he is right or——

Senator WILEY. Well, how much——

Mr. CARROLL. Is right, I send a check, and that is the end of it.

Senator WILEY. How much is the total contributions in 1949, how much were they?

Mr. CARROLL. 1949?

Senator WILEY. Yes, in politics?

Mr. CARROLL. Nothing.

Senator WILEY. In 1950?

Mr. CARROLL. 1950? Nothing.

Senator WILEY. 1948?

Mr. CARROLL. I could not answer that. I do not recall, Senator.

Senator WILEY. Well, if you made contributions, why did you make it to any particular candidate as against any other?

Mr. CARROLL. Well, I particularly maybe thought that they were right. I have always, I think—there are two or three times—

Senator WILEY. You mean right—

Mr. CARROLL. They carried an advertisement for George Norris, I contributed, I think, to that, the elder La Follette.

Senator WILEY. Did you contribute at any time to any candidate who saw gambling as a virtue as apparently you do?

Mr. CARROLL. No.

Senator WILEY. Did you ever give money to any other individual so he could contribute it for you to any candidate or any political gang?

Mr. CARROLL. No.

Senator WILEY. From what you said I assume that you have voted in the primaries and the general elections, have you?

Mr. CARROLL. That is true.

Senator WILEY. Are you a registered member of any political club?

Mr. CARROLL. No.

Senator WILEY. How about Mr. Mooney or Mr. Grady, are they?

Mr. CARROLL. I don't think so. I don't know, but I don't think so.

Senator WILEY. Well, do you feel that the Congress of the United States, in view of this picture that has been developed all over this land of biological instinct, as you call it, has any obligation to make it as difficult as possible for gambling operations to continue rather than to allow such operations to be conducted as freely as they have been in East St. Louis?

Mr. CARROLL. I think there is only one answer, Senator, and it is going to come as sure as the sun shines, legalization in the United States of gambling.

Senator WILEY. That is your answer?

Mr. CARROLL. That is right. On the evidence of that while this committee was holding hearings in New York Friday, the New York City council petitioned the Governor of New York in a resolution for an amendment to the constitution of the City of New York to permit a lottery.

Senator WILEY. Do you not feel that whether or not gamblers will find substitute means, that it is up to us to curb the Continental News Service which furnishes horse racing information throughout America?

Mr. CARROLL. Then the answer there is legalize it, let the Western Union—write into it some statute that the Western Union can distribute racing news.

Senator WILEY. Is it your thought that if you legalize gambling such as you contend for that it would be to the advantage of the revenue that Government would get?

Mr. CARROLL. That would be only one factor in it.

Senator WILEY. What is the other factor?

Mr. CARROLL. That gambling—there is no way to stop it—that there just, as I say, I believe it is a necessity for certain types. They get an uplift. They get a lift from it that they can get from nothing else.

Senator WILEY. Well, it has become apparent to members of the Crime Committee that in instance after instance the same forces connected with the illegal gambling have been affiliated with extortion, narcotics, policy racket, in some instances organized prostitution, and other sorts of crime. Do you think that the legalization of gambling would stop that association?

Mr. CARROLL. It would most certainly do it.

Senator WILEY. Have you any other comments to make on that?

Mr. CARROLL. No; I haven't.

Senator WILEY. Do you not feel that gambling by giving tremendous profits to a few individuals permits them to constantly branch out into other fields?

Mr. CARROLL. It may have a tendency to do that, Senator.

Senator WILEY. Have you any other business?

Mr. CARROLL. None.

Senator WILEY. Any other investment?

Mr. CARROLL. None.

Senator WILEY. Are you familiar with the major professional gamblers who operate legitimate businesses on the side, who pour their gambling winnings into such legitimate businesses?

Mr. CARROLL. No; to my knowledge I have known of no one that you describe.

Senator WILEY. What is the record insofar as individuals welshing on their bets?

Mr. CARROLL. Well, very, very small, I would think.

Senator WILEY. Supposing they welsh, what happens; do you use any threats or intimidations?

Mr. CARROLL. As far as the operation M. G. is concerned; no.

Senator WILEY. Why do you limit it to that, do you know of other cases?

Mr. CARROLL. No; I don't know. I don't know of any other.

Senator WILEY. You have no idea at all as to what has happened in cases where men have welshed?

Mr. CARROLL. No; I haven't.

Senator WILEY. Are you now familiar or have you ever been familiar with individuals who at any time identified with the late Al Capone?

Mr. CARROLL. No; not that I recall, Senator.

Senator WILEY. That is, who were associated with him in the days when he was in power, you have no recollection?

Mr. CARROLL. No, no.

Senator WILEY. Are Mooney & Grady associated with individuals who are identified in any way with former associates of Al Capone or Al Capone himself?

Mr. CARROLL. No.

Senator WILEY. Now, there was something asked by counsel in relation to your beliefs. Have you any belief that the former associates of Capone are still banded together in some form of combination that operates across interstate barriers?

Mr. CARROLL. I don't know, Senator.

Senator WILEY. You have not any idea?

Mr. CARROLL. No. I don't know. This committee seems to have developed some evidence that would justify a belief.

Senator WILEY. It has been called to my attention that a fellow by the name of Brauer from Wisconsin Rapids has had some dealings with your organization. Do you recall who he is?

Mr. CARROLL. No; I do not.

Senator WILEY. Or Joe Galuska of Janesville, Wis.?

Mr. CARROLL. I can't identify them by the names, Senator.

Senator WILEY. I find here, too, that on this telephone sheet there is a chap by the name of Jerry Lewis, Hollywood; who is he?

Mr. CARROLL. I would not know, Senator.

Senator WILEY. I understood you to say that you do not believe there is any such thing as a gambling syndicate or interstate control in any of this gambling matter that you have been interested in.

Mr. CARROLL. I did not say that. I said I thought not to my knowledge did I know of any gambling syndicate.

Senator O'CONNOR. Senator Hunt.

Senator HUNT. Mr. Carroll, did you ever occupy, hold an official position as a betting commissioner?

Mr. CARROLL. No.

Senator HUNT. That term is very often applied to you in press reports. How or why did you acquire that title, betting commissioner?

Mr. CARROLL. Well, I would have no idea other than they thought maybe that the use of the word "gambler" would be——

Senator WILEY. And 15-percent commission, too.

Mr. CARROLL. (continuing). Would not sound too good.

Senator HUNT. Throughout the United States before any principal athletic event, before an election, there is always a press report of the odds that you are giving on either a prize fight or the World Series, the Kentucky Derby, or what not. How do you arrive at the odds?

Mr. CARROLL. Well, I first find out what the market is. In other words, if I want to bet 3 to 1 that a certain candidate would be defeated I first try to find out if I can secure 4 to 1 some other place. And, of course, if that is true, why then I will bet 4 to 3 to 1 that the candidate would be defeated. And if I accept \$100 or \$1 bet on it, I can bet the one bet 80 cents of the \$1 off and I would have a 20-cent profit or a \$20 profit, either way the result comes.

Senator HUNT. You bet both ways? In such a method that you can't lose; is that correct?

Mr. CARROLL. That is the purpose of price making. He bets—he believes that he can bet—he bets a certain sum that an event will not happen, and for a small differential he will bet the same event will happen.

Senator HUNT. Mr. Carroll, do you bet on basketball games?

Mr. CARROLL. No.

Senator HUNT. Have you ever?

Mr. CARROLL. No, no.

Senator HUNT. You have never placed odds on basketball games?

Mr. CARROLL. No.

Senator HUNT. Did you bet on the last Presidential election?

Mr. CARROLL. Yes.

Senator HUNT. Would you mind telling us what odds you gave on who?

Mr. CARROLL. Well, I bet 8 to 1 that President Truman would be defeated, but I got all the way from 10-to-1 to 20-to-1 bet that he would be elected.

Senator HUNT. Do you mind telling the committee how much—

Senator WILEY. What was the profit or loss?

Senator HUNT (continuing). You won on that particular Presidential election?

Mr. CARROLL. Well, on the election itself, I just don't remember the exact figures, but I lost a sizable amount of money on trick bets that I was unfamiliar with. I had a group who bet me—I bet 15 to 1 that Dewey—now, this group were betting \$1 against \$15 that Governor Dewey would not get 200 electoral votes.

Well, I thought that—I could have gotten a much bigger price on it, but I don't know, for some reason I just neglected it, it started coming in \$100, \$500, \$1,000, and the first thing I knew, well, I just—Governor Dewey did not get 200 electoral votes.

Senator HUNT. Now, Mr. Carroll, I would like for you to make one more observation, If you would: Have you ever spent any time in Reno, Nev.?

Mr. CARROLL. Only during this period when I had this license that I mentioned. I think that was in 1942. I think I was there for about a 3-month period.

Senator HUNT. I asked you that question because you say you favor legalized gambling. Now, would you care to comment on the type of people that you must have seen hanging around those gambling joints in Reno, as compared, let us say, with the type of people that you met in St. Louis, Mo.?

Mr. CARROLL. Well, I would be no judge of that. The reason that I believe that legalized gambling would be a good thing for America is England. They have wrestled with the problem for 600 years, and they had to wind up legalizing it.

I would say that the professional gamblers, as a group, are no better or no worse than any other professional group.

I would bet, as a betting man, I would bet that there are no more convictions of bookmakers or professional gamblers in England than any other profession, doctor, lawyer, dentist.

Senator HUNT. Well, I differ just as strongly as it is possible to differ with any person on any subject. I think you are dead wrong, and please don't compare gamblers with the profession I happen to be a member of.

Mr. CARROLL. Well, I am not speaking of gamblers here, I am talking about the gambling in England.

I meant no personal reflection, certainly.

Senator O'CONOR. I believe Senator Kefauver has something.

The CHAIRMAN. I think you should be told, if you don't know, Mr. Carroll, that Mr. Anslinger's list of the worst criminals in the country, if you study that you will find that many of the people who are in gambling are also in narcotics, they will be in narcotics and gambling and other types of racketeering. Their names are pretty much the same.

I don't mean to say that every gambler is a narcotics peddler, but the names run along pretty much the same, and that certainly con-

firms the very strong statement that Senator Hunt made, and I think that every member of this committee would say that you are wrong and very wrong in your assumption. Of course, we understand since you are in the game that you naturally would want to paint as good a picture of them as you possibly could.

Now, Mr. Carroll, isn't it true that since your wire service has been off in East St. Louis, or in St. Louis, that you have been trying to use or planning to use some kind of teletype or ticker-tape system to get racing information, that is, operation X.

Mr. CARROLL. I would say that would be true.

The CHAIRMAN. Just tell us what you are doing, what method are you trying to work out?

Mr. CARROLL. Well, I am retired, Senator.

The CHAIRMAN. I mean, what method is operation X trying to work out to supplant the Continental Press Service, or to get some other kind of wire service?

Mr. CARROLL. Well, there are many cities who broadcast the race results every 15 minutes. I am assuming they may be calling there to find out the results.

The CHAIRMAN. Are you trying to get some ticker tape or teletype service?

Mr. CARROLL. No, no, no.

The CHAIRMAN. But operation X is trying to get some substitute for the wire service which it has lost, is that correct?

Mr. CARROLL. I would think so; yes.

The CHAIRMAN. Do you lay off bets with other people, like Erickson, or Rosenbaum, or is operation X big enough to handle all of its own bets?

Mr. CARROLL. We bet off with no one but race tracks.

The CHAIRMAN. That is the come-back money people?

Mr. CARROLL. That is right.

The CHAIRMAN. You also had in your business at one time a chap named Connelly, didn't you, from Alton, Ohio?

Mr. CARROLL. I don't recall. Alden, did you say?

The CHAIRMAN. No, Alton, A-l-t-o-n, Ill.

Mr. CARROLL. Oh, Alton, Ill.

The CHAIRMAN. Alton, Ill., yes. Who is he, what is his first name?

Mr. CARROLL. I think his name is Sebastian Connelly.

The CHAIRMAN. Is he still a part of your organization?

Mr. CARROLL. No.

The CHAIRMAN. What operations was he in?

Mr. CARROLL. Well, he was in an operation that consisted of, oh, I don't know just what, there was playing of dice and playing of cards and what not.

The CHAIRMAN. Well, he was one of your partners at one time, wasn't he?

Mr. CARROLL. In that particular operation; yes.

The CHAIRMAN. So you have been in other kinds of betting operations besides just bookmaking or commission betting?

Mr. CARROLL. That is true, Senator.

The CHAIRMAN. In several States?

Mr. CARROLL. That is true.

The CHAIRMAN. Florida?

Mr. CARROLL. No; not in Florida, Senator.

The CHAIRMAN. In Illinois and Missouri?

Mr. CARROLL. Illinois mostly, I would say.

The CHAIRMAN. Where else?

Mr. CARROLL. And Missouri.

The CHAIRMAN. And what other States?

Mr. CARROLL. That is all—outside of Reno, Nev., where I had a license in Reno, Nev., during that period.

The CHAIRMAN. Yes; but do you have any other kind of operation X's, any other kind of gambling operation, except operation X at the present time?

Mr. CARROLL. No.

The CHAIRMAN. That is your only one?

Mr. CARROLL. That is all.

The CHAIRMAN. That is all.

Mr. SHENKER. Is that all?

Senator O'CONOR. That is all.

Mr. SHENKER. I would like to ask the witness a question or two to clear up some points.

Senator O'CONOR. All right.

Mr. SHENKER. Mr. Carroll, you testified that you had a legal opinion from a lawyer sometime in 1942 pertaining to the operation in Illinois, pertaining to its legality.

Now, I will ask you if that lawyer who gave you that opinion was me.

Mr. CARROLL. No.

Mr. SHENKER. Did I give you that opinion?

Mr. CARROLL. No.

Mr. SHENKER. I did not?

Mr. CARROLL. No.

Senator WILEY. I want to ask just one more question, Senator.

Senator O'CONOR. Senator Wiley.

Senator WILEY. We have heard a lot about the fixing in basketball, due to the influence of gamblers playing that game, too. Now, you don't know of any fixing in boxing?

Mr. CARROLL. No, I—no; I don't Senator.

Senator WILEY. Or baseball?

Mr. CARROLL. No; I don't.

Senator WILEY. There are a lot of bets placed on that, aren't there?

Mr. CARROLL. On baseball; yes.

Senator WILEY. And boxing, too?

Mr. CARROLL. The operation never handled boxing.

Senator WILEY. Well, do you think that the very process of fixing itself is begotten because of the gambling instinct and the money involved?

Mr. CARROLL. Yes; I would say that.

Senator WILEY. You would not call that a very helpful thing for this country?

Mr. CARROLL. No, no; I would not, but if it was legalized and supervised you would stop all of that.

Senator WILEY. You would stop fixing?

Mr. CARROLL. That is right.

Senator WILEY. There is a great amount of money involved and that is the very thing that probably brings about the activities of

the men who are engaged in this evil, is it not? It is money, the lust for gain?

Mr. CARROLL. Yes; but it would attract a different type of person if it was legalized, much like they do in England.

Senator WILEY. You mean betting on boxing and betting on baseball, is that what you mean?

Mr. CARROLL. I think the principal betting in England is on football and on horse racing.

Senator O'CONOR. Mr. Carroll, judging by the records of the racing commissions of the country which have racing under supervision, and with particular reference to their ruling-off of jockeys, and their discoveries as to the doping of horses in many instances, and other disciplinary action they have taken, there apparently is a lot of fixing in horse racing, too, isn't there?

Mr. CARROLL. Well, Senator, I suppose there are.

Senator O'CONOR. Yes.

Mr. CARROLL. But I am a handicapper and I have to reject all theories or ideas of fixing or it throws my figures haywire.

Senator O'CONOR. All right.

The CHAIRMAN. Mr. Chairman.

Senator O'CONOR. Senator Kefauver.

The CHAIRMAN. May I ask if you know Longy Zwillman in Newark, N. J.?

Mr. CARROLL. No.

The CHAIRMAN. Who all have you done business with? You have mentioned Erickson in New York and New Jersey. You have done business with him?

Mr. CARROLL. With Frank Erickson; no.

The CHAIRMAN. But you know him quite well?

Mr. CARROLL. Yes; quite well.

The CHAIRMAN. Do you know Costello?

Mr. CARROLL. No; I do not know Costello.

The CHAIRMAN. Do you know Adonis?

Mr. CARROLL. No; I don't know Adonis.

The CHAIRMAN. What lay-off or what bookie operations do you have contacts with in New Jersey?

Mr. CARROLL. Well, Senator, the operation has no bookie contacts with anyone in America, so far as reference to betting off. All the betting that the operation does is with race tracks.

Now, it may be that there are some operators who are known as bookmakers do bet operation X.

The CHAIRMAN. Did you attend a meeting one time at Atlantic City with a group of other people about gambling?

Mr. CARROLL. No; no.

The CHAIRMAN. Have you been to Atlantic City in the last few years?

Mr. CARROLL. No.

The CHAIRMAN. All right.

Senator O'CONOR. That concludes the examination of Mr. Carroll.

We will next call Mr. Jack Guzik.

There will be a recess of 10 minutes.

(Short recess taken.)

Senator O'CONOR. The committee will be in order.

Will you stand and be sworn, please.

Do you solemnly swear that the testimony you shall give shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GUZIK. I do.

Senator O'CONOR. Will you give us your full name?

Mr. GUZIK. Jacob Guzik.

Senator O'CONOR. And your address.

Mr. GUZIK. Well——

Senator O'CONOR. Now, we are going to ask the newspapermen—do you have objection to being photographed now and having it over with?

Mr. GUZIK. I don't believe my eyes can stand all this.

Senator O'CONOR. How about without bulbs? One of the newspapermen has asked if you would object if they took pictures without flashlight bulbs. Is it agreeable to you to have pictures taken?

Mr. GUZIK. Well, everything put together makes it too hot here.

Senator O'CONOR. Well, if the photographers will take their pictures now and have that finished, that would help matters.

Mr. GUZIK. This has been going on for 20 minutes. I don't mind having my pictures taken, but this has been going on for 20 minutes.

Senator O'CONOR. All right. The committee will ask the photographers to kindly take their pictures now so that we can proceed with the examination.

TESTIMONY OF JACOB GUZIK, CHICAGO, ILL.

Senator O'CONOR. All right. The witness has been sworn.

And this time the committee will now ask the photographers to kindly leave the front of the room.

I would like to announce that Mr. George Robinson, whom we have been so fortunate as to have with us in past and who is a very efficient counsel, and who has since entered the armed services, has kindly agreed to return for this purpose and has secured a leave of absence in order that he might conclude with the committee in this respect.

I will ask Mr. Robinson to proceed with the examination.

Mr. ROBINSON. Mr. Guzik, what is your first name? I did not quite catch it.

Mr. GUZIK. Jacob.

Mr. ROBINSON. Jacob?

Mr. GUZIK. Yes.

Mr. ROBINSON. Do you have a brother named Harry?

Mr. GUZIK. Well, I am going to make a statement, a short statement, if I may.

Mr. ROBINSON. Could you answer that question first.

Mr. GUZIK. No; I——

Senator O'CONOR. Do you want to make a statement first?

Mr. GUZIK. A short statement

Senator O'CONOR. All right; go ahead.

Mr. GUZIK. I am going to refuse to answer any questions whatever on the ground of incrimination, and I am going to stand on my constitutional rights.

Senator O'CONOR. Well, of course, any objection that you have must be made to a particular question or questions which have been directed to you.

Mr. GUZIK. That is right.

Senator O'CONOR. So a question will be asked of you, and then if you have any objection, you can register such objection, and the committee then will pass upon the question of whether or not it is a proper question.

Mr. GUZIK. I think the same answer will go for all questions.

Senator O'CONOR. In other words, your attitude is, are we to understand, that you are not going to answer anything, regardless of what it may be?

Mr. GUZIK. No; because it may incriminate me or tend to incriminate me or lead to incriminate me by some devious way.

Senator O'CONOR. Even though you don't know what the questions are?

Mr. GUZIK. That is right. They may lead to it.

Senator O'CONOR. I see. In other words, any kind of a question about any subject you are going to refuse to answer?

Mr. GUZIK. That is right.

Senator O'CONOR. And it does not matter what the nature of the question is or what it relates to; is that correct?

Mr. GUZIK. That is right.

Senator O'CONOR. All right, Mr. Robinson, you may proceed.

Mr. ROBINSON. How old are you, Mr. Guzik?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. You refuse to answer how old you are?

Mr. GUZIK. Yes.

Senator O'CONOR. The committee directs you to answer the question. Do you still refuse?

Mr. GUZIK. Yes, sir.

Senator O'CONOR. All right, counsel, you may propound another question.

Now, kindly be in order in order to avoid the necessary repeating of the same statement by the committee member. A number of questions will be asked of you and it is the intention of the committee to direct that you answer those questions and you understand that you are being directed and will be directed to answer each one of them, do you not?

Mr. GUZIK. Yes, sir.

Senator O'CONOR. And then, of course, you can make any statement you desire to concerning any or all of them.

Mr. GUZIK. I still make a statement that any question that will incriminate me or tend to incriminate me or lead by some devious ways to incriminate me I will refuse to answer.

Senator O'CONOR. Counsel, kindly proceed.

Mr. GUZIK. I stand on my constitutional rights under the fifth amendment on all questions.

Senator O'CONOR. Counsel, propound your question.

Mr. ROBINSON. Mr. Guzik, how did you get here today?

Mr. GUZIK. I refuse to answer on the same grounds. Do I have to state the grounds each time?

Senator O'CONOR. No, no; it is understood.

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Did you receive a subpoena from this committee, Mr. Guzik?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Were you taken under arrest by the sergeant-at-arms?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Will you state to the committee where you have been for the past 6 months.

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you been in Chicago?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you been in Florida?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you been in hiding?

Mr. GUZIK. What was that?

Mr. ROBINSON. Have you been in hiding?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Did you know that your appearance before this committee was desired?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Mr. Guzik, do you know Anthony Accardo?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Are you a resident of Chicago?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. How long have you lived in Chicago?

Mr. GUZIK. I refuse to answer that. Now, I want to remind you that I claim the same privilege on every question.

Senator O'CONOR. Yes. In other words, your statement applies to all of these questions from start to finish?

Mr. GUZIK. Yes, sir.

Mr. ROBINSON. Mr. Guzik, are you an American citizen?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Were you born in the United States?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. What business are you in?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you ever been in the gambling business?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you ever been connected with the policy business?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you ever had an interest in the 2724 Club?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Or a club by that name?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Do you know the 2724 Club?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you ever been in business under your own name? In other words, have you conducted a business under your own name, Jacob Guzik?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Did you have an interest in the 2724 Club or an interest in a business under the name of J. Guzik in 1938?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. What is the 648 Club?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. At 648 Diversey Parkway in Chicago.

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Did you ever have an interest in that club?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you ever been in the business of wagering?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Mr. Guzik, the committee has information indicating that you were, in the year 1940, engaged in the wagering business, wagering at race tracks. Is that correct?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. Have you ever indicated in any official records or reports your business as being that of wagering?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Mr. Guzik, were you in the wagering business in 1941?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Have you ever received or did you receive during that year commissions for gambling transactions?

Mr. GUZIK. I refuse to answer.

Mr. ROBINSON. In the sum of \$20,000?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Were you associated with or did you have an interest in the numbers business in 1942?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. What is the Dome?

(No answer.)

Mr. ROBINSON. What is your answer?

Mr. GUZIK. I don't understand.

Mr. ROBINSON. Have you ever had an interest in a club or a business by the name of the Dome, D-o-m-e?

Mr. GUZIK. Oh, Dome, D-o-m-e. I refuse to answer that.

Mr. ROBINSON. Can you recall why you were paid or whether you received sums from that club or business in the amount of \$4,000 in 1943?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. In the same year do you recall having received income from football gambling or wagering?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. In the same year do you recall having received an income of \$6,000 from "miscellaneous sources"?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Mr. Guzik, when did you first form your partnership with Tony Accardo?

Mr. GUZIK. I will have to refuse to answer. Pardon me.

Mr. ROBINSON. Was it in the year 1946?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. What was the purpose of that partnership?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Do you recall having received income from that partnership in the year 1946, in the sum of \$65,000?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. In the year 1947, do you recall having indicated in an official return the fact that you received the sum of \$51,000 from various miscellaneous?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. In the year 1948 do you recall having listed as income the sum of \$100,000 even from various sources?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Do you recall in 1946 having refused to divulge to a revenue agent the source of your income?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. In connection with a partnership return entitled "Guzik and Accardo, 7240 Louella Avenue, Chicago, Ill."?

Mr. GUZIK. I will have to refuse to answer that.

For Christ's sake! More pictures?

Mr. ROBINSON. Mr. Guzik, do you know of a company or a business by the name of Erie-Buffalo?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Have you ever had any interest in that business?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Did you receive, as a partner with Anthony Accardo in 1949, income from Erie-Buffalo & Co. in the sum of two-hundred-and-seventy-eight-thousand-and-six-hundred-and-sixty-seven-dollars-and-some-odd cents? Do you recall that?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Was the Erie-Buffalo Co. a policy wheel?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Do you recall also as a member of that partnership taking a loss of approximately \$7,200 in connection with the S. & G. Service?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. What is the S. & G. Service?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Who is Sam Pardy?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Have you ever been associated in business with him?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Who is Thomas Manno?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Have you ever been associated in business with him?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Who prepares your returns?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Do you know Eugene Bernstein?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Has he ever prepared your tax returns?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Have you ever heard of Leo and Caesar Benvenuti?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Isn't it true that Leo and Caesar Benvenuti were the owners of the Erie-Buffalo Co.?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. And isn't it true also that up until the year 1947 the two brothers, Leo and Caesar Benvenuti, had an income of approximately a little over \$100,000 each from the Erie & Buffalo Co., which they own?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Isn't it also true that at that time Sam Pardy was individually connected with the policy business, who never received an income in excess of \$5,000?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Isn't it true that in the year 1947, or rather, in the year 1948, the salary of Sam Pardy, or the income of Sam Pardy and of Thomas Manno was approximately \$300,000 each from Erie-Buffalo Co.?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. And that the income of the owners of the company, the two Benvenutis, dropped to \$50,000?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Each?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. And that you and Mr. Accardo the following year got \$278,000, which was listed on the returns of Erie-Buffalo by Pardy and Manno as being special services?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Will you state what the special services were which you performed for the Erie-Buffalo Co.?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Did you know Harry Russell, Mr. Guzik?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Did you know Hymie Levin?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Have you ever heard of the Trans-America Publishing News Service Co.?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Do you know Ralph O'Hara?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Did you ever make any investment in that company?

Mr. GUZIK. I refuse to answer that.

Senator O'CONOR. Now, the witness is to understand that in connection with each and every one of these questions he is directed to answer, and that he still refuses.

Mr. GUZIK. That is right; I still claim my immunity.

Senator O'CONOR. Yes. That applies to everything that you have said.

Mr. GUZIK. That is right.

Senator O'CONOR. Now, the Chair desires to ask just two questions, and you will listen to them carefully:

Excluding any participation of your own, if any, have you any information concerning the use of the facilities of interstate commerce in connection with criminal operations? First of all, do you understand the question?

Mr. GUZIK. I understand the question, Senator, but I have heard that if you answer a question you cannot stop, you keep on answering, and it leads to incrimination.

Senator O'CONOR. Yes. My only question, then, was, did you understand what I meant?

Mr. GUZIK. If that is all you are going to ask about that, I will answer it.

Senator O'CONOR. Well, that was one——

Mr. GUZIK. If that is as far as you go in asking——

Senator O'CONOR. Well, I will make no deal with or promise you, sir. I am just asking you one question. I ask you first of all, do you

understand that this question has no reference to any activities of your own—we desire to ask you whether or not you have any knowledge of the use of the facilities of interstate commerce in criminal operations?

Do you still refuse to answer my question?

Mr. GUZIK. I don't understand that question, Senator, I really don't; I really don't understand it.

Senator O'CONOR. Go ahead, Counsel.

Mr. ROBINSON. Have you ever had any connection with the operation of the wire service?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Do you know the circumstances under which Trans-America Co. came into being?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Do you know of the R. & H. Publishing Co.?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. Do you know Phil Katz or Ray Jones?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Mr. Guzik, do you know who killed James Ragen?

Mr. GUZIK. I will have to refuse to answer that.

Mr. ROBINSON. On the ground it might tend to incriminate you?

Mr. GUZIK. It might tend to incriminate me or lead to incriminate me, or might incriminate me.

Mr. ROBINSON. Do you know who killed William Drury?

Mr. GUZIK. I refuse to answer that.

Mr. ROBINSON. Where were you the night that William Drury was killed?

Mr. GUZIK. I refuse to answer that.

The CHAIRMAN. Mr. Chairman.

Senator O'CONOR. Senator Kefauver.

The CHAIRMAN. I think in order to make the record clear as to the relevancy of some of these questions, it might be pertinent to ask counsel to summarize very briefly the theory of the committee and the importance of it, which shows the importance of the questions that he has asked Mr. Guzik, about three things:

First, the R. & H. Publishing Co., and the creation of the Trans-America Service, and thirdly, about the Guzik-Accardo-Russell matter of getting into the S. & G. Syndicate in Miami, Fla., just for the purpose of showing that they are pertinent to the inquiry of crime in interstate commerce.

I just make that suggestion to the chairman.

Senator O'CONOR. Yes.

Mr. GUZIK. Well, they may be pertinent, but it still might tend to incriminate me.

Senator O'CONOR. Yes. Senator Kefauver has suggested that would be pertinent to these proceedings, and if counsel will address himself to that subject we will be grateful to him.

Mr. ROBINSON. Well, let me ask one question.

Mr. Guzik, you don't disagree that the questions that have been asked you are not pertinent?

Mr. GUZIK. What is that?

Mr. ROBINSON. You don't say that the questions that have been asked you are not pertinent to the inquiry?

Mr. GUZIK. I would not say. Some are not pertinent and some are incriminating.

Mr. ROBINSON. Well, the reason why I ask the question, Mr. Guzik, is because the committee is very much interested in obtaining all the information it can regarding the operation of the wire service.

Mr. GUZIK. Well, I have a high regard for the committee, and I have a high regard for their right to ask me questions. I also have my own rights.

Mr. ROBINSON. Well, I am not asking this—

Senator O'CONOR. All right. This is not a question; this is a statement made by counsel for the record. Proceed, please, Mr. Robinson.

Mr. ROBINSON. Well, the purpose, Mr. Chairman, in these questions, is to find out information concerning the operation of the wire service.

The committee has information regarding the relationship of the wire service to gambling, and the operation of handbooks throughout the country.

The committee is seeking information also as to the ownership and the control that exists with respect to the wire service.

The Trans-America Co. was a competing company that was organized around the time or just shortly before the death of James Ragen, who was the general manager and owner, or part owner, of the Continental News Service, and the history of the development of the Trans-America, its connections with the so-called Capone mob, or Capone syndicate in Chicago, matters which are of extreme importance to the committee.

The other aspect of the questioning related to the control of the policy operations in Chicago. The committee already has a considerable amount of testimony regarding the sizableness of the policy operations in Chicago, and the committee is interested in finding out the extent of the control or the revenue received by members of the so-called Capone syndicate from the policy operations in Chicago.

It has been shown also that the policy operations do affect substantially interstate commerce.

The operations of the wire service is unquestionably an interstate commerce operation.

The questions regarding the S. & G. Service are particularly pertinent in connection with the operations of the wire service in the State of Florida, and the cut-off of that service, and the subsequent connection between that and the activities of Harry Russell, in gambling in Florida.

Senator O'CONOR. Well, now, with that statement concluded, the temporary presiding officer has decided to make a statement as to the decision of the committee with respect to the attitude of this witness, and it will be noted—

Senator WILEY. I would like to ask this first. I would like to know if you are willing, or whether there is any willingness on your part, to tell us anything that is relevant to this inquiry.

Mr. GUZIK. I will have to refuse to answer, it may incriminate me.

Senator WILEY. Well, you refuse to answer any questions, then, that might be relevant to the inquiry on the basis that those questions, you think, might incriminate you?

Mr. GUZIK. Might, and might lead to incriminate me.

Senator WILEY. Well, then, you refuse to cooperate by giving any testimony whatsoever; is that right?

Mr. GUZIK. I refuse to answer, because some questions are not pertinent, and some may lead or tend to incriminate me.

Senator WILEY. Well, are you a lawyer?

Mr. GUZIK. No, sir.

Senator WILEY. Have you consulted with a lawyer?

Mr. GUZIK. No.

Senator WILEY. Where did you get this phrase you have been using all the time?

Mr. GUZIK. I have heard it on television. [Laughter.]

Senator WILEY. Oh, you have been watching television all week, have you?

Mr. GUZIK. No; on and off.

Senator WILEY. Maybe you got a little education out of that.

Mr. GUZIK. A little bit.

Senator WILEY. Did it scare you any?

Mr. GUZIK. No.

Senator WILEY. Do you realize that you may be cited for contempt?

Mr. GUZIK. I may.

Senator WILEY. You realize that?

Mr. GUZIK. I may. I don't know; it is up to you, Senators.

Senator O'CONNOR. Well——

The CHAIRMAN. May I ask just one question? I don't want to pursue it. This is as to Mr. Ragen. Would you answer whether you knew Mr. James Ragen or not?

Mr. GUZIK. Well, Mr. Kefauver, is it?

The CHAIRMAN. Yes.

Mr. GUZIK. If I answer that question, would you stop? [Laughter.]

The CHAIRMAN. No. I would want to ask you two other questions.

Mr. GUZIK. You see, they all lead to——

The CHAIRMAN. Just a minute.

Mr. GUZIK (continuing). Like I say, they all lead to——

The CHAIRMAN. Well, let me tell you the three questions that I would ask you about Mr. Ragen.

Mr. GUZIK. Oh, pardon me; yes.

The CHAIRMAN. First, if you know Mr. Ragen; second, if you talked with him about, as he said in this statement relative to shortly before he was killed; and I would ask you the third question, which has been asked you again, if you, not speaking for yourself or anything about yourself, if you knew other parties who were connected with the killing of Mr. Ragen, not incriminating you. Those would be the three questions I would ask you about Mr. Ragen.

Mr. GUZIK. Well, like I said——

The CHAIRMAN. In other words, the third question is not whether you had any part of the shooting of Mr. Ragen, but if you knew other parties who did. I was not going to ask you their names.

Mr. GUZIK. I can answer that, like I say, if you don't ask any more.

The CHAIRMAN. Well, let's try you out on those three. That is all I will ask.

Mr. GUZIK. What are the three? Pardon me.

The CHAIRMAN. First, did you know James Ragen?

Mr. GUZIK. I knew him.

The CHAIRMAN. Second, did you talk with him about difficulties about buying into the wire service sometime before he was killed?

Mr. GUZIK. Well, that I will have to refuse to answer.

The CHAIRMAN. Well, did you talk with him some time before he was killed?

Mr. GUZIK. Well, I don't know. I will have to refuse to answer that.

The CHAIRMAN. Well, the third is not involving yourself, but do you know, and I shall not ask you their names, I assume you would not answer it if I did, but do you know the people who took the life of Mr. Ragen?

Mr. GUZIK. No; I don't.

Senator O'CONNOR. The committee is of the opinion that the attitude of the witness is in contempt of the regularly constituted committee of the Senate, and it will be noted for the record that at present there are in attendance the chairman of the committee, the Senator from Tennessee, Mr. Kefauver; the Senator from Wisconsin, Mr. Wiley; the Senator from Wyoming, Mr. Hunt; and the Senator from Maryland, the temporary presiding officer; and these four members of the five-man committee have been in attendance throughout the questioning of the present witness.

It is therefore the decision of the committee that this witness be continued under subpoena, that he be remanded to the custody of the Sergeant at Arms of the Senate; that he be required to remain under the subpoena and to reappear before this committee on Friday, March 30, at 10 a. m. He will be kept in custody, and it is the decision of the committee that he may obtain his release only upon having placed a bond in the amount of \$10,000.

We understand that Captain Dowd is present, and the committee desires that he take the man in custody.

Mr. GUZIK. Can I make a bond? When can I make my bond?

Senator O'CONNOR. Well, you will be—you will get sufficient advice from the representative of the Sergeant at Arms.

Captain Dowd, will you take this man into custody.

Captain Dowd. O. K.; let's go.

Senator O'CONNOR. The hearing will please be in order.

For the convenience of everyone and for the information of all, the committee will shortly recess, the hearings to be resumed at 10 this coming Saturday morning, at which time other persons will be heard including some who have been taken into custody at the direction of the committee.

There will now be an executive session of the committee and with that we will adjourn for the day.

(Whereupon, the special committee retired into executive session and the reported was excused; public hearing to be resumed at 10 a. m., Saturday, March 24, 1951.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

SATURDAY, MARCH 24, 1951

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The special committee met, pursuant to adjournment, at 10:15 a. m., in the caucus room, Senate Office Building, Senator Lester C. Hunt presiding.

Present: Senators Kefauver (chairman), O'Connor, Hunt, Tobey, and Wiley.

Also present: Alfred M. Klein, associate counsel; David Shivitz, Joseph Nellis, Downey Rice, assistant counsel; George Martin, investigator.

The CHAIRMAN. The committee will come to order.

Let the record show that even though this be Saturday before Easter, that all of the five members of this committee are present, to wit, Senator O'Connor, Senator Hunt, Senator Tobey, and Senator Wiley.

We are happy also to welcome Congressman Frazier Reams, from Toledo, Ohio. The chairman is especially glad to see Mr. Reams because he came from and was a distinguished citizen of Nashville, Tenn., before moving up to Ohio to be elected to Congress.

We are also glad to have with us one of our most capable counsel from New York, who did a great part in handling the hearings there, David Shivitz, who is at the end of the table. Also, Joseph Nellis, whom all of you have seen before, and who has done very good work, and who will handle the examination on Monday night.

The broadcasting stations and, I think, some of the TV stations had commitments to the Baptist meeting this afternoon for their Easter programs. And several Baptist ministers have been in touch with members of the committee. We had planned to have a session this afternoon, but in view of these commitments we certainly do not want to interfere, particularly, with any operations of the Baptist Church. I am a Baptist. Other members of the committee belong to other churches. And they wanted to be reciprocal in the matter.

So we will go through with our two witnesses this morning.

Senator Hunt will act as chairman today. Senator Hunt.

Senator HUNT (presiding). The first witness this morning is Lew Farrell. Mr. Farrell, will you take the witness chair, please. Is Mr. Farrell in the room?

Do you swear the testimony you are about to give this committee to be the truth, the whole truth, and nothing but the truth, so help you God?

TESTIMONY OF LOUIS THOMAS FRATTO (FARRELL), DES
MOINES, IOWA

Mr. FARRELL. Yes.

Senator HUNT. The committee counsel, Mr. Downey Rice, will conduct the interrogation. Counsel, if you will proceed, please.

Mr. RICE. Will you state your name for the record, please, sir?

Mr. FARRELL. Well, I was born Louis Thomas Fratto.

Mr. RICE. You were born Louis Thomas Fratto?

Mr. FARRELL. Fratto.

Mr. RICE. How do you spell it?

Mr. FARRELL. F-r-a-t-t-o.

Mr. RICE. F-r-a-t-t-o?

Mr. FARRELL. That is right.

Mr. RICE. And what name do you use now, Mr. Fratto?

Mr. FARRELL. Lew Farrell.

Mr. RICE. Lew Farrell?

Mr. FARRELL. Yes.

Mr. RICE. I see. Have you changed your name?

Mr. FARRELL. No; not legally. It is just a sort of a nickname.

Mr. RICE. I am sorry; I did not hear your answer.

Mr. FARRELL. I changed my name—it is a sort of a nickname when I was back in my kid days, when I was fighting——

Mr. RICE. Yes?

Mr. FARRELL. And I just carried it on.

Mr. RICE. I see. And have you legally changed your name?

Mr. FARRELL. No; I haven't. I have been—my boys have been born and baptized Fratto. I was married under the name of Fratto. And I just have the name of Lew Farrell, just like other people have nicknames.

Senator WILEY. Property in the name of Fratto?

Mr. FARRELL. Well, it is under the name of Farrell.

Senator WILEY. Farrell, F-a-r-r-e-l-l?

Mr. FARRELL. Yes. Louis Thomas Fratto Farrell.

Mr. RICE. Now, sir, where were you born?

Mr. FARRELL. I was born in Chicago, Ill.

Mr. RICE. And you are an American citizen?

Mr. FARRELL. Yes.

Mr. RICE. Now then, you are appearing here in response to a subpoena that was served on you?

Mr. FARRELL. Yes, sir.

Mr. RICE. And that called for the production of certain books and records?

Mr. FARRELL. Yes, sir.

Mr. RICE. And do you have those with you?

Mr. FARRELL. Yes, sir.

Senator HUNT. Will you move those mikes, Mr. Farrell, a little toward you, and then also will you lean forward a little and talk a little more directly into the mikes, if you will, please.

Senator WILEY. And I suggest that counselor do the same, so that we can hear him.

Mr. RICE. How do you spell the Louis in your name?

Mr. FARRELL. L-o-u-i-s.

Mr. RICE. And have you spelled it otherwise from time to time?

Mr. FARRELL. L-e-w——

Mr. RICE. You have used it both ways?

Mr. FARRELL. Not both ways. I use Lew, L-e-w. I have used Lew for the last 15 or 20 years, more than that, about 20 years.

Mr. RICE. Now, then, you said that you brought some records with you?

Mr. FARRELL. Yes; I did.

Mr. RICE. What did you bring?

Mr. FARRELL. Well, I brought my personal financial statements, closing out of my Canadian Ace Beer Sales Co., and my statement of the present company that I am associated with. I brought my baby's birth certificate, to show that the name of Fratto still exists.

Mr. RICE. Well, now, yes. Did you bring with you copies of your Federal income-tax returns?

Mr. FARRELL. Yes; I did.

Mr. RICE. Can you find those, sir?

Mr. FARRELL. Yes, sir. Here they are.

Senator HUNT. As in previous sessions we have requested there be no smoking, and the acting chairman makes the same request at this time.

Mr. RICE. All right, sir. What business are you in today?

Mr. FARRELL. Well, I am in the beer business.

Mr. RICE. In the beer business?

Mr. FARRELL. Yes, sir.

Mr. RICE. When you say the beer business, is that retail or distributorship or what is it?

Mr. FARRELL. Distributorship.

Mr. RICE. A distributorship?

Mr. FARRELL. Yes.

Mr. RICE. And under that you hold certain Federal licenses?

Mr. FARRELL. Well, we have made application for license.

Mr. RICE. Yes. As a matter of fact, you do hold a license. What is the name of your organization?

Mr. FARRELL. Superior Distributing Co.

Mr. RICE. And who are the principals in the Superior Distributors?

Mr. FARRELL. Myself and my brother-in-law.

Mr. RICE. And that is in what city?

Mr. FARRELL. Des Moines, Iowa.

Mr. RICE. What is the name of your brother-in-law?

Mr. FARRELL. August J. Randa.

Mr. RICE. August J. Randa—R-a-n-d-a?

Mr. FARRELL. That is right.

Mr. RICE. And where do you live, Mr. Farrell?

Mr. FARRELL. I live at 1115 Caulder Avenue.

Mr. RICE. In Des Moines?

Mr. FARRELL. Yes, sir.

Mr. RICE. What is the address of the Superior Distributors?

Mr. FARRELL. 618 East Second.

Mr. RICE. And what type of entity is that; is it a corporation or a partnership?

Mr. FARRELL. A partnership.

Mr. RICE. A partnership between your brother-in-law and yourself?

Mr. FARRELL. Yes.

Mr. RICE. And what business were you in before that, Mr. Farrell?

Mr. FARRELL. I was in the beer business.

Mr. RICE. And what do you mean by the beer business?

Mr. FARRELL. Well, the Canadian Ace Beer Sales Co.

Mr. RICE. You were the salesman for the sales company for Canadian Ace?

Mr. FARRELL. I was partner in the Canadian Ace Beer Sales Co.

Mr. RICE. What is the name of that?

Mr. FARRELL. The Canadian Ace Beer Sales Co.

Mr. RICE. Who were the partners in that?

Mr. FARRELL. Myself, Sylvia Zevin, and Morris Greenberg.

Mr. RICE. They were Sylvia—how do you spell that?

Mr. FARRELL. Z-e-v-i-n.

Mr. RICE. And Morris Greenberg?

Mr. FARRELL. Yes, sir.

Mr. RICE. And is Sylvia Zevin any relation to Morris Greenberg?

Mr. FARRELL. Sister.

Mr. RICE. A sister?

Mr. FARRELL. Yes, sir.

Mr. RICE. Now, then, sir, that was called what, the Canadian Ace?

Mr. FARRELL. Canadian Ace Beer Sales.

Mr. RICE. When did you terminate your association with that?

Mr. FARRELL. May 9.

Mr. RICE. That partnership?

Mr. FARRELL. May the 9th.

Mr. RICE. May the 9th of 1950?

Mr. FARRELL. Of 1950. I voluntarily sent my basic permit back to the Alcohol Tax Unit Division, of which I have a record here.

Mr. RICE. You surrendered your basic permit?

Mr. FARRELL. Voluntarily.

Mr. RICE. When did you form the Superior Distributors?

Mr. FARRELL. May 9.

Mr. RICE. Immediately?

Mr. FARRELL. Yes, sir.

Mr. RICE. What sort of beer did Canadian Ace sell, Canadian Ace beer, was it not?

Mr. FARRELL. Canadian Ace; yes.

Mr. RICE. What sort of beer are you selling now?

Mr. FARRELL. Well, I am selling Blatz beer.

Mr. RICE. Blatz beer?

Mr. FARRELL. Yes, sir.

Mr. RICE. Now, sir, in the Canadian Ace set-up, from what brewery did you obtain the beer?

Mr. FARRELL. From the Canadian Ace?

Mr. RICE. Yes.

Mr. FARRELL. Canadian Ace Brewery.

Mr. RICE. Was that formerly known as the Manhattan Brewery?

Mr. FARRELL. Yes, sir; it was.

Mr. RICE. And that was headquartered where?

Mr. FARRELL. Chicago, Ill.

Mr. RICE. Who were the principals in Manhattan and Canadian Ace, if you know?

Mr. FARRELL. Well, the only ones that I talked to was John Roberts and Louis Greenberg.

Mr. RICE. Louis Greenberg?

Mr. FARRELL. Yes.

Mr. RICE. And what relation was Louis Greenberg to Morris Greenberg?

Mr. FARRELL. Brother.

Mr. RICE. Brother?

Mr. FARRELL. Yes, sir.

Mr. RICE. So that Zevin was his sister, then?

Mr. FARRELL. Yes, sir.

Mr. RICE. Did Louis Greenberg have any interest in your Canadian Ace set-up?

Mr. FARRELL. No, sir; he did not.

Mr. RICE. Now, sir, are you familiar—were you familiar with the Canadian Ace distributors in Kansas City?

Mr. FARRELL. Well, I was not familiar with them. I knew of them, just—

Mr. RICE. You knew of them?

Mr. FARRELL. Yes.

Mr. RICE. Do you know who the distributor was there for Canadian Ace?

Mr. FARRELL. I could not tell you truthfully.

Mr. RICE. Do you know that it was Tony Gizzo and Binaggio?

Mr. FARRELL. I have heard it, but I could not tell you that I knew.

Mr. RICE. There came a time when a fellow by the name of Gargotta was locked up in Harlan, Iowa?

Mr. FARRELL. Yes, sir.

Mr. RICE. Tell us about that—tell us what part you played in that, in raising bond for Gargotta.

Mr. FARRELL. Well, a very dear friend of mine called me from Kansas City.

Mr. RICE. Who was that very dear friend?

Mr. FARRELL. Well, that is a matter of record, and he is a very reputable character.

Mr. RICE. Yes. Well, let us put it on this record.

Mr. FARRELL. I think it is very unfair as long as it is on television to hurt this man's reputation, I mean; it isn't a secret.

Mr. RICE. Yes?

Mr. FARRELL. But I don't think that it is right.

Mr. RICE. So long as it is not a secret, let us see who it was.

Mr. FARRELL. I am not refusing to answer. Only thing is that I don't think it is right to hurt this man's reputation. He is a very, very high character person and being that this type of investigation might dirty him—

Mr. RICE. Yes. How is it going to dirty him, sir, if he is a man of high reputation?

Mr. FARRELL. He was the victim of an honest mistake.

Mr. RICE. What would that be?

Mr. FARRELL. The same thing as I was, in other words, by recommending or by asking for help for these fellows.

Mr. RICE. Yes. Just tell us what happened. This man called you up and you don't want to name him?

Mr. FARRELL. It isn't that I refuse to name him, because it is a matter of record. I mean this man has made the statement elsewhere.

Mr. RICE. He has made a statement. Where did he make it?

Mr. FARRELL. I don't know, but I understand that he has. Now I mean——

Mr. RICE. And do you know who called you up?

Mr. FARRELL. Yes.

Mr. RICE. All right, sir, who called you?

Mr. FARRELL. I don't want to hurt this man's character.

Senator TOBEY. You do not think it would hurt him being known as a friend of yours?

Mr. FARRELL. Not as a friend of mine.

Senator TOBEY. Why don't you tell us?

Mr. FARRELL. The fact of the case, I don't think that it is right. I will tell you, but I won't tell you over the television, and I won't tell you in front of the public, but I will tell you. I just don't want this man's name to be broadcasted all over the country. I will be glad to tell you.

Mr. RICE. Was it Tano Lacoco?

Mr. FARRELL. No; no, sir.

Mr. RICE. Where is it a matter of record that this man was mentioned?

Mr. FARRELL. Well, I understand that the Federal grand jury in Kansas City has got the record.

Mr. RICE. Did you testify there?

Mr. FARRELL. Yes, sir; I did.

Mr. RICE. Did you tell them who called you?

Mr. FARRELL. Yes, sir; I did.

Mr. RICE. And you refuse to tell us, this committee?

Mr. FARRELL. I am not refusing to tell this committee. I just don't feel that this man's name should be telecast all over the country. I will tell you, but I will not tell you in front of a microphone.

Senator WILEY. Have you any objection to tell us what he said, Mr. Chairman?

Mr. FARRELL. Yes.

Senator WILEY. Let us get that, and then we can determine whether or not it is significant for the public to have the name.

Mr. FARRELL. All right. He called me, and he apologized. He said, "I would not ask you, only I know that these men are perfectly innocent. Will you do something for the Gargotta brothers up in Harlan?" I was very, very reluctant at the beginning. I then called a man out of Harlan, which is a man of the church, of the cloth, and I explained to this man that these fellows were in trouble; I did not want to become involved, but I wanted him to find out if they were innocent, and then I could not turn my friend down, to try to help them. He called me back and he told me the men were definitely, positively innocent. I then went to an attorney's office, a very reputable man that does not handle any cases like that, and I explained to him that I knew that he didn't take cases like that, and that I wished that he would do me this favor. This attorney investigated, and he found the same thing, that regardless of their past reputation that on that particular charge they were innocent.

So, therefore, we went down, and I asked, I found out, the attorney found out, excuse me, that there was a \$30,000 bond to be posted. I asked two professional bondsmen to come down there with me, but they could not post the bond.

I again called this friend of mine and told him that \$30,000 in cash was needed for the bond. I then went to Harlan, Iowa, and a man came in there with the money. He asked me if my name was Lew Farrell. I said, "Yes." He says, "My name is Tony," and he counted the money out to the clerk of the court in Harlan, Iowa, and he left. The attorney turned around and he said, "Who is going to sign this bond?"

Well, I was very hesitant, because I knew that I was going to get some publicity out of it if my name went on that bond. Therefore, my brother-in-law volunteered—he just stepped rightforward and he said, "I don't think there is anything wrong in signing a bond," and my brother-in-law signed the bond and the men were released.

Senator WILEY. What were they charged with?

Mr. FARRELL. They were charged with robbery.

Senator WILEY. Now, Mr. Chairman, I rather admire the position the man has taken, if the man that he refers to is a man of good reputation. Would you mind writing the name on a piece of paper and that the committee can have it, so that we can determine whether or not the matter is significant, whether it should be made public?

Mr. FARRELL. Well, I would sooner write the name down for you after this—after I make my testimony.

Senator O'CONOR. Let me ask you this question: This Thomas Lacoco has a record, does he not?

Mr. FARRELL. I don't even know the man.

Senator O'CONOR. Did you not ever meet him?

Mr. FARRELL. I don't even know the man.

Senator O'CONOR. Did you not know of his reputation?

Mr. FARRELL. Only from what I read in the newspaper.

Senator O'CONOR. That reputation is an unfavorable one, is it not, so far as you have read?

Mr. FARRELL. So far as I have read.

Senator O'CONOR. Did your other friend, whose name you prefer not to disclose, know about the involvement of Thomas Lacoco in this transaction?

Mr. FARRELL. I doubt it very much.

Senator O'CONOR. What other reason than that which you have given can you give for your being interested in this matter?

Mr. FARRELL. Because of this great friend of mine I would do it tomorrow if he called me again.

Senator O'CONOR. No other explanation?

Mr. FARRELL. No other reason.

Senator O'CONOR. None other than that?

Mr. FARRELL. No other reason.

The CHAIRMAN. Mr. Chairman, if I may just ask the witness one or two questions. I was present in Kansas City when this matter was brought out in the hearings there. I believe that Senator Wiley and Senator Tobey were also present that day.

Are these substantially the facts, Mr. Farrell: that the two Gargotta boys, their first names are Charlie and Gus Gargotta, both whom had criminal records, particularly Charlie, who had one of some 50 insertions—he was the one murdered with Binaggio in Kansas City—that they were locked up on a charge of robbery of a night club at Harlan, Iowa; is that not correct?

Mr. FARRELL. Yes; that is true.

The CHAIRMAN. And then the bond had been set at \$30,000. Then the testimony shows at the other end of the line that Mrs. Gargotta, Mrs. Charlie Gargotta, called Tony Lacoco in Kansas City. Mrs. Gargotta also lived in Kansas City and Tony LaCoco, for the information of the public, and as you very well know, according to our hearings, has quite a substantial criminal record himself, in Missouri and Kansas City. Lacoco, as I recall, was one of the owners of the wire service in Kansas City.

Mr. FARRELL. That I don't know.

The CHAIRMAN. Anyway, along with Snags Klein and Charlie Gargotta and this fellow Eddie Spitz, they own the wire service. They got the Trans-America franchise and they took, bought out or forced out Partnoy, who had the Continental Wire Service.

Mr. FARRELL. I don't know that.

The CHAIRMAN. And Partnoy joined them, and then Charlie Gargotta and Gus Gargotta were jailed on the alleged charge of robbery of a night club in Harlan. Mrs. Gargotta called Tony Lacoco about getting up \$30,000 bail or in order to get the Gargotta boys out, I believe it was; was it a total of \$30,000 for the two of them or was it \$30,000 for each of them?

Mr. FARRELL. Yes, sir—no, it was \$15,000 for each.

The CHAIRMAN. \$15,000 apiece?

Mr. FARRELL. Yes, sir.

The CHAIRMAN. And then following that call Tony Lacoco got in touch with various and sundry people to raise the money. Mrs. Gargotta gave him \$7,500—reading from page 277 of the record in Kansas City—Lacoco first went to Mrs. Gargotta's house:

Mr. HALLEY. To whose house did you go?

Mr. LACOCO. Mrs. Gargotta. She gave me some money.

Mr. HALLEY. How much?

Mr. LACOCO. \$7,500.

And quoting further:

I approached a fellow by the name of Paul Nigro, on Third and Walnut, and I got \$7,000 from him. Then I got \$3,000 from a man named Joe Barber, and I got \$5,000 from Tony Gizzo, and I put in the balance.

Mr. HALLEY. Was it all cash?

Mr. LACOCO. Yes, sir.

Mr. HALLEY. What size bills did Tony Gizzo give you?

Mr. LACOCO. \$100 bills, fifties, large money.

Tony Gizzo is the man, you may remember, Mr. Farrell, that we had before the committee in Kansas City, and Senator Wiley, I believe, asked him how much money he had in his pocket at that time, and he said a rather small amount for him, but he pulled \$2,500 in \$100 bills.

And then Lacoco says he put in \$2,500. Then they came up to Iowa and carried the money in the back end of the car and put up the cash bond after you and your brother, I believe, brother-in-law, had been there and your brother-in-law was in business with you, was he not—his name was Randa?

Mr. FARRELL. No; not at that time he was not.

The CHAIRMAN. Well, anyway, it is August J. Randa?

Mr. FARRELL. Yes, sir; yes, sir.

The CHAIRMAN. Anyway, he was in business with you either before or after that time?

Mr. FARRELL. No; he never was in business with me up until this last May 9, is the first time.

The CHAIRMAN. In any event, you were there seeing about the bond, and you did not want to sign the bond?

Mr. FARRELL. Yes, sir.

The CHAIRMAN. So, because of the bad publicity he signed the bond?

Mr. FARRELL. Well, he volunteered. I knew that I would get some publicity, but—

The CHAIRMAN. Then the \$30,000—Mr. Lacoco brought the \$30,000 up and delivered it to you; is that not correct?

Mr. FARRELL. He did not deliver it to me. He delivered it to the clerk of the court in Harlan, Iowa.

The CHAIRMAN. Let me read from page 277 of the record:

Mr. HALLEY. I have one other question. Did you deliver the \$30,000 for the Gargottas' bail?

Mr. LACOCO. Yes, sir.

Mr. HALLEY. Who did you deliver it to?

Mr. LACOCO. A fellow by the name of Lew Farrell.

Mr. HALLEY. Where did you deliver it?

Mr. LACOCO. In a little town in Iowa; I don't recall the town, but it is in Iowa.

Mr. HALLEY. Then where did you get the \$30,000?

Then he told about the people he got it from. Is that not correct, that he delivered \$30,000 to you?

Mr. FARRELL. No, sir; he never gave me no money; no, sir. He brought the \$30,000 right to the clerk of the court. I was standing there, and he opened up the package, and he counted the money out. There was fives and tens and twenties.

The CHAIRMAN. He did not give it to you and—

Mr. FARRELL. I did not even so much as even help to count the money. And the clerk was kind of mad because it was taking so much time. It was between the clerk and him that was counting the money.

The CHAIRMAN. Your brother-in-law had already signed the bond at that time; is that correct?

Mr. FARRELL. Not until the money was counted.

The CHAIRMAN. You mean until the clerk got the money?

Mr. FARRELL. Until the clerk counted the money; that is right.

The CHAIRMAN. So you deny that he delivered the money to you, as he said?

Mr. FARRELL. Definitely.

The CHAIRMAN. But you were right there when he delivered it to the clerk?

Mr. FARRELL. I saw him deliver it to the clerk; yes, sir.

The CHAIRMAN. All right. I am sorry, Mr. Rice, but I had remembered the particular incident.

Mr. RICE. All right, sir. Now, when the money was returned, what happened to the case up there against the Gargottas?

Mr. FARRELL. The case was dismissed for lack of evidence. In other words, the witnesses claimed that these men were innocent. They were identified, from what I can recall, from a picture, that is, when they were arrested, but when the witnesses faced them, why, they said that they were not the men, and they were dismissed immediately.

The bond was returned to Augie Randa, who signed it.

Mr. RICE. That is your brother-in-law?

Mr. FARRELL. My brother-in-law, and the check was made to him.

Mr. RICE. Yes.

Mr. FARRELL. And he in turn turned it over to Mr. Gargotta, I think that was Gargotta and the lawyer. You see, it didn't mean nothing to me at the time, and I mean, I cannot recall the exact incident.

Mr. RICE. Yes. Perhaps this would refresh your recollection, sir. The check that was turned over to Randa was endorsed by Randa?

Mr. FARRELL. That is right.

Mr. RICE. And further endorsed by Tony Gizzo in Kansas City; is that correct?

Mr. FARRELL. I got that information from the newspaper, that it was endorsed by Gizza, but we didn't know anything about it.

Mr. RICE. You didn't know anything about it. How did it get to Gizzo?

Mr. FARRELL. Evidently, maybe, Mr.—I don't know. The check was given to Gargotta and——

Mr. RICE. You gave it back to Gargotta?

Mr. FARRELL. That is right.

Mr. RICE. And from there it got to Gizzo somehow or other?

Mr. FARRELL. Well, we found out he endorsed it through the papers.

Mr. RICE. Would you like to find out how Gargotta got in touch with Lacoco regarding the bond?

Mr. FARRELL. Lacoco never did get in touch with him.

Mr. RICE. Well, then, are you going to say what he said in the record is entirely incorrect:

Who did you deliver it to?

A fellow by the name of Lew Farrell.

Why were you involved in that bond deal?

Mr. FARRELL. Because a very dear friend of mine called me.

Mr. RICE. Yes, sir.

Mr. FARRELL. And Tom Lacoco or nobody else delivered any money to me.

Mr. RICE. Yes. Did you know Lacoco before this?

Mr. FARRELL. No, sir; I did not.

Mr. RICE. Did you know Gargotta before that?

Mr. FARRELL. I met him maybe once.

Mr. RICE. Which one?

Mr. FARRELL. The older one.

Mr. RICE. Charley?

Mr. FARRELL. Yes.

Mr. RICE. The one that was killed with Binaggio?

Mr. FARRELL. Yes.

Mr. RICE. You knew him before?

Mr. FARRELL. Yes.

Mr. RICE. Where did you know him?

Mr. FARRELL. I didn't know him. I mean, I just saw him once before.

Mr. RICE. You just saw him once before?

Mr. FARRELL. That is right. I don't know the man, I never knew him before or afterwards.

Mr. RICE. Was this individual that called upon you to do this act of charity of getting the Gargottas out of jail, was he a fellow from Chicago?

Mr. FARRELL. No, sir.

Mr. RICE. Well, I think I am going to ask the chairman to direct the witness to name that individual.

Senator HUNT. The Chair directs the witness to give to the committee the name of the individual as requested by counsel.

Senator WILEY. Just a minute.

Mr. FARRELL. Yes, sir.

Senator WILEY. This presents a situation that this committee has got to think very seriously about. This man said that he would give to the committee the name. He feels, and undoubtedly is correct, that we might as well direct him to give the name of the priest here that was consulted, and we are not, it seems to me, doing our job, if the man will give us the name on a piece of paper and the chairman will then see whether it is any of the gangsters he knows about, with that understanding I would be willing to agree with the ruling. Otherwise I feel that we are up against a proposition here that we have got to think about very seriously.

You might just as well, you know, give the name of the President of the United States, or the Chief Justice of the United States, or someone else, and you see what it does with 20,000,000, 30,000,000, or 40,000,000 people.

Now, this man seems to me, up to date, to have simply said, "I will give you the name. The man is an honorable man. He is not mixed up with gangsters."

If you give a name out, you know what the reflection is, it is like saying that a man got \$10,000 from gangsters, or that is what they will say it is for, or for Communists, and it would identify anyone with them in the minds of the people that the man is crooked, and you cannot catch up with it.

I am asking the chairman to reconsider his ruling.

Senator HUNT. At the suggestion of the chairman of the committee, the acting chairman withdraws the directive to the witness.

Does the witness care at this time to write the name on paper and hand it to the committee?

Mr. FARRELL. I will write it after my testimony. You see, it is a matter of record, that is not any secret. That man is a matter of record, and I don't see why we should assassinate his reputation. I mean, after all, it is——

Senator HUNT. The chairman of the committee has requested the acting chairman to direct you to write the name on a piece of paper and hand it to the committee at this time.

Mr. FARRELL. Will you promise not to make it public?

Senator HUNT. The acting chairman does not care to make a deal with the witness of that kind.

Mr. FARRELL. Well, then, I will still have to withhold—I am willing to sacrifice anything rather than to sacrifice this man's reputation.

Senator HUNT. You understand that you may be in contempt of the Senate of the United States by the position you are taking; do you understand that?

Mr. FARRELL. Yes, sir; I do, and if I can help a man not lose his reputation, I am willing to sacrifice it.

Senator HUNT. Before making any further decision, the acting chairman would ask the witness: Is the name of this man a matter of record at any place in police courts?

Mr. FARRELL. In police courts?

Senator HUNT. Or has he at any time been convicted of any crime?

Mr. FARRELL. Oh, no, no; not that I know of.

Mr. RICE. Let me ask you this, would naming the individual tend to incriminate you?

Mr. FARRELL. Definitely not, positively not. I have heard that word on TV.

Mr. RICE. Well, I suggest we be entitled to the name.

Senator O'CONOR. Just before pressing that, what was the interest of this other party, in addition to what you have described?

Mr. FARRELL. He knew these people all his life, and was born and raised with them.

Senator O'CONOR. Had he any financial dealings with them, do you know?

Mr. FARRELL. No; definitely, positively not.

Senator O'CONOR. Had he ever been associated with them in any operations?

Mr. FARRELL. In no way, shape, or form.

Senator O'CONOR. How recently had he been connected with them, so that he might have known of their involvement in criminal activities, if they were so involved?

Mr. FARRELL. Well, I don't know what his friendship with the man was, because I did not know the other man. I just knew him.

Senator HUNT. The name that you refused to give us, would you tell the committee how and why this particular gentleman contacted you?

Mr. FARRELL. Well, I understand he tried to contact one or two other men, good businessmen in town, and he finally contacted me, because he knew that I was his friend, and I would do just as much for him as he would do for me.

Senator HUNT. Then he was also a friend at court of the parties whom he talked to you about on the phone?

Mr. FARRELL. I don't understand that. Can you make it plainer, please?

Senator HUNT. Could you tell the committee why he called you? Now, the fact that he could not get anybody else, that does not answer the question. What was his purpose in calling at all?

Mr. FARRELL. Because I was a friend of his, and he asked me to help some friend of his.

Senator HUNT. What was he trying to accomplish, to help a friend of his?

Mr. FARRELL. Just a favor for a friend.

Senator HUNT. Then he was a friend of both of you?

Mr. FARRELL. A friend of both us; yes.

Senator HUNT. The acting chairman again directs you to write the name on a piece of paper and deliver it to the committee.

The committee will make this commitment to you, that if it adds nothing to the record, that the committee will not make it public, and if the committee can take your statement at face value it should not add anything to the record.

Mr. FARRELL. Can I ask you something?

Senator HUNT. Yes.

Mr. FARRELL. Don't you have access to records of other testimonies or grand juries that have been in session?

Senator HUNT. Some we do, and some we do not. We do not have this particular one.

Mr. FARRELL. What difference does it make if I give you this man's name after this telecast and radio—I mean, why make a headline out of a good, honest, sincere man?

Senator HUNT. For the simple reason that it may not then be a matter of record in open hearing. That is the reason.

Now, do I understand that you refuse to——

Mr. FARRELL. No; I don't refuse.

Senator HUNT. Then write it on a piece of paper and hand it up. You either do or you don't, which one?

Mr. FARRELL. Well, if it is going to cause this man some publicity——

Senator HUNT. Then I take it you are refusing to write the name on a piece of paper and hand it to the committee?

Mr. FARRELL. I am not refusing. I am willing to give the man's name——

Senator HUNT. Well, if it is not delivered immediately, the acting chairman must rule that it is a refusal.

Senator TOBEY. Mr. Chairman, in my judgment this is a fantastic proceeding.

Mr. FARRELL. Yes; it is.

Senator TOBEY. Here is this committee meeting with all of its five members, and here is a man with a record such as he has before us, and the matter comes up of naming a man in an important manner, and he refuses to give it in the guise of this man being a respectable and honest citizen. This is pettifoggery in the *n*th degree, and I insist that in order to uphold the dignity of this committee and the welfare of the public, that it be answered promptly. I second the ruling of the Chair. I am sick and tired of these men coming before us and quibbling about little things and throwing dust in our eyes, so I protest.

Mr. FARRELL. I am not refusing to answer.

Senator TOBEY. Go ahead and write the name then.

Mr. FARRELL. Well, don't get mad at me, I am not mad at you.

Senator TOBEY. Well, I am not mad at you, but I may be before this thing is over. [Applause.]

Mr. FARRELL. Well, it is all right if you have a reason——

Senator HUNT. The Chair, for the record, now states that the witness has refused to give the name of this man——

Mr. FARRELL. I did not refuse.

Senator HUNT. Now just a moment. I am asking you, and I will repeat it:

The acting chairman now, for the record, states that the witness has refused to write the name of the party in question and hand it to the committee.

Mr. Counsel, you may proceed.

Mr. RICE. Yes. To protect the record, Mr. Chairman, are you, Mr. Farrell, at the present time under indictment?

Mr. FARRELL. Am I?

Mr. RICE. Yes.

Mr. FARRELL. Oh, no.

Mr. RICE. Well, do you fear prosecution for either a Federal or State offense?

Mr. FARRELL. No.

Mr. RICE. Do you fear prosecution—or do you fear that you will be prosecuted?

Mr. FARRELL. Do I fear it?

Mr. RICE. Yes.

Mr. FARRELL. I don't see why.

Mr. RICE. You have no reason to fear prosecution?

Mr. FARRELL. Not of any kind.

Mr. RICE. All right, sir. Then you will stand on your refusal to furnish the name either orally or in writing?

Mr. FARRELL. No. I will give you the name, if you promise me that if this man's name does not have anything to do with these activities you will not ruin his reputation. That is all I am asking.

Mr. RICE. All right, sir.

Mr. FARRELL. I will write the name down if you will promise me that.

Mr. RICE. Well, I think we understand one another.

Now then, tell me, sir, what was the conversation that took place in this telephone call? Did he call you?

Mr. FARRELL. Yes, sir.

Mr. RICE. Where did he call you from?

Mr. FARRELL. He called me from Kansas City.

Mr. RICE. Where were you?

Mr. FARRELL. I don't remember, but I mean, I might have been either at home or at my office.

Mr. RICE. What did he tell you?

Mr. FARRELL. Well, he told me that, he apologized for the fact that he was asking me a favor for the two fellows.

Mr. RICE. He apologized for asking a favor?

Mr. FARRELL. That is right.

Mr. RICE. What was the favor?

Mr. FARRELL. To see what I could do for them, getting them out of this trouble, that they were innocent enough.

Mr. RICE. Yes. Now, sir, were you in any official position to get people out of trouble?

Mr. FARRELL. Oh, no.

Mr. RICE. All right. What was his proposition to you?

Mr. FARRELL. There was no proposition.

Mr. RICE. What did he tell you?

Mr. FARRELL. The only thing is, that I was from Iowa, and these people were in trouble in Iowa.

Mr. RICE. Yes.

Mr. FARRELL. That is all.

Mr. RICE. He was a friend of the people that were locked up.

Mr. FARRELL. Yes, sir.

Mr. RICE. And he was in Kansas City?

Mr. FARRELL. Yes, sir.

Mr. RICE. And they were from Kansas City?

Mr. FARRELL. Yes, sir.

Mr. RICE. They were robbing a night club, according to the police officers, and he called you and said wouldn't you do him a favor?

Mr. FARRELL. Yes, sir.

Mr. RICE. What did you tell him?

Mr. FARRELL. I was a little bit reluctant at first, and he convinced me that they were innocent.

Mr. RICE. He convinced you they were innocent?

Mr. FARRELL. Yes.

Mr. RICE. I see. How did they convince you of that?

Mr. FARRELL. Well, his judgment is good enough for me, I mean—

Mr. RICE. This man's judgment said that these people were innocent, is that it?

Mr. FARRELL. Yes, sir.

Mr. RICE. Had they been tried at that time?

Mr. FARRELL. Pardon?

Mr. RICE. Had they been tried at that time—they had been arrested?

Mr. FARRELL. They just had been arrested.

Mr. RICE. Did he participate in the offense or alleged offense with them?

Mr. FARRELL. No. I do not know—what do you—

Mr. RICE. How did he know that they were innocent? What did he tell you that convinced you they were innocent?

Mr. FARRELL. Well, I just took his word for it. I never went into a discussion with him.

Mr. RICE. What did he say, "I know these people are innocent"?

Mr. FARRELL. That is right.

Mr. RICE. And that was good enough for you?

Mr. FARRELL. I found out then when I called somebody else out in that locality.

Mr. RICE. You called someone?

Mr. FARRELL. Yes.

Mr. RICE. Who did you call?

Mr. FARRELL. A man of the cloth.

Mr. RICE. I beg your pardon?

Mr. FARRELL. A man of the cloth.

Mr. RICE. Where was this man of the cloth?

Mr. FARRELL. From in that district.

Mr. RICE. You mean around Harlan?

Mr. FARRELL. Yes, a priest.

Mr. RICE. A priest?

Mr. FARRELL. Yes.

Mr. RICE. What conversation took place—well, before you go into that, what did this man in Kansas City ask you to do?

Mr. FARRELL. Well, he asked me to see what I could do to help them.

Mr. RICE. What did he suggest, or what did you say you thought you might be able to do?

Mr. FARRELL. Well, I was reluctant, I says, "Well, I will see what I can do." I am from Des Moines, and Harlan is at the other end of the State and I says, "I will have to find out just exactly what I can do for you."

But all I done was to hire a lawyer. First I found out from this man of the cloth of their innocence, through the conversation in the town, and then I hired a lawyer for them, and that is all.

Mr. RICE. Did you hire a lawyer?

Mr. FARRELL. Well, I did not hire him. I mean, I asked this lawyer—I did not hire him.

Mr. RICE. You asked the lawyer?

Mr. FARRELL. Yes, that is right.

Mr. RICE. You say you were reluctant. Why were you reluctant to do something?

Mr. FARRELL. Well, because I have been a victim of a lot of propaganda.

Mr. RICE. Yes?

Mr. FARRELL. And crucifixion.

Mr. RICE. By your friends?

Mr. FARRELL. By certain—no, newspapermen.

Mr. RICE. I see. What did that have to do with this?

Mr. FARRELL. What did it have to do with it?

Mr. RICE. Yes.

Mr. FARRELL. I don't know, I have been trying to find that out for the past 4 or 5 years, what anything of it has to do.

Mr. RICE. But you were reluctant to do something for your friend?

Mr. FARRELL. For my friend?

Mr. RICE. Yes.

Mr. FARRELL. I was reluctant to do anything, if these people were guilty I would have turned them down.

Mr. RICE. I see. Yes. Now, you convinced yourself that they were innocent, because he told you, and he was in Kansas City and you were in Harlan?

Mr. FARRELL. Yes, and the verification of the man of the cloth, and I was convinced then.

Mr. RICE. Was this man in Kansas City a lawyer?

Mr. FARRELL. No.

Mr. RICE. What profession or business was he in?

Mr. FARRELL. Well, he is a doctor.

Mr. RICE. He is a doctor?

Mr. FARRELL. Yes, sir.

Mr. RICE. Was his name Nigro, or Negro?

Mr. FARRELL. I don't think that is fair.

Mr. RICE. You don't think it is fair?

Mr. FARRELL. Not mentioning people's names like that.

Mr. RICE. That could be the name, couldn't it?

Mr. FARRELL. It could.

Mr. RICE. As a matter of fact, it is the name, is it not?

Mr. FARRELL. Yes.

Mr. RICE. Tell us all about that transaction.

Mr. FARRELL. That is all.

Mr. RICE. What did Nigro have to do with these boys that were locked up?

Mr. FARRELL. Nothing; nothing at all.

Mr. RICE. Sir?

Mr. FARRELL. Nothing at all.

Mr. RICE. Nothing at all?

Mr. FARRELL. He is just a doctor, but I think that that is very, very unfair to hurt a person.

Mr. RICE. He put up \$10,000 to help get them out, didn't he?

Mr. FARRELL. Well, no.

The CHAIRMAN. Mr. Chairman, since the matter has been brought out, I think it is only fair to say that this man's name was brought out and publicized in Kansas City in open hearing, that he was approached by a fellow called Nigro on Third Street and, "I got \$7,000 from him," so I don't see any—

Mr. FARRELL. Pardon me.

The CHAIRMAN. Mr. LaCoco said that he got \$7,000 from him.

Mr. FARRELL. From whom? His name was not called.

Mr. RICE. Well, there are three Nigros, aren't there?

Mr. FARRELL. I don't know. There is a lot of them.

Mr. RICE. Who is the one who called you?

Mr. FARRELL. Well, you mentioned his name. What is the use of asking?

Mr. RICE. It is Dr. Nigro, the doctor, isn't he the one?

Mr. FARRELL. I think it is very, very unfair.

Mr. RICE. You think it is very unfair?

Mr. FARRELL. Yes.

Mr. RICE. All right, sir. Tell us about it fairly and squarely, then, on the record.

Mr. FARRELL. I told you about it, that he called me and told me that these men were innocent. They were victims of an honest mistake.

Mr. RICE. Yes, and who was it called you, which Nigro?

Mr. FARRELL. Dr. Nigro called me.

Mr. RICE. Does he have a brother Joseph?

Mr. FARRELL. I don't know. I am very close to him, but I don't know his relatives. He has a lot of relatives.

Mr. RICE. Does he have a brother named Paul?

Mr. FARRELL. No.

Mr. RICE. Who are the brothers?

Mr. FARRELL. The only brother that I know that he has is a contractor, and I don't know his first name.

Mr. RICE. All right, sir.

Mr. FARRELL. I don't think he has a brother Paul.

Mr. RICE. You don't think he has a brother. Is Paul Nigro known to you?

Mr. FARRELL. No, I don't know him.

Mr. RICE. He could be a relative of theirs, so far as you know?

Mr. FARRELL. Well, Italian names are funny. I mean, they could be relatives and not relatives.

Mr. RICE. You are an Italian?

Mr. FARRELL. Yes.

Mr. RICE. And you understand those things?

Mr. FARRELL. Yes.

Mr. RICE. All right, sir. Now then, which Nigro called you?

Mr. FARRELL. You mentioned the name, Dr. D. M. Nigro.

Mr. RICE. D. M. Nigro.

Mr. FARRELL. How many times do you want it? You have been putting that poor man's name over television and radio, I mean, it is—

Mr. RICE. All right, sir. Now, what did Nigro tell you about the hold-up there at Harlan?

Mr. FARRELL. He didn't tell me anything, because he didn't know anything about it.

Mr. RICE. How did he get involved in it?

Mr. FARRELL. Well, I suppose he was born and raised with these boys, and he is the sort of fellow that helps everybody. He is well known from coast to coast, and he is one of the greatest youth leaders in the country, in athletics.

He is president of many big clubs, football clubs, and everything else. People go to him and ask him for help. He knows people all over the country.

Mr. RICE. So the Gargottas, one of whom was later shot with Binaggio, this fellow that came to him for help, was he typical?

Mr. FARRELL. I don't think he was any barometer to guide anybody's life after they leave school.

Mr. RICE. All right, sir. Why did he call upon you? What did you have to do with this?

Mr. FARRELL. Nothing, other than a friend of his, that is all.

Mr. RICE. So you are a friend of Nigro, and Nigro is a friend of Gargotta, and you did not know the Gargottas?

Mr. FARRELL. No, sir.

Mr. RICE. Didn't you say you knew Charlie Gargotta?

Mr. FARRELL. I said I met him, I think, once, but I did not know him. I met you once, I don't know you.

Mr. RICE. Well, that is probably mutual.

Senator WILEY. You will know him better after today.

Mr. FARRELL. That is all right, too.

Mr. RICE. All right, sir.

Now then, why do you say you were reluctant to do this?

Mr. FARRELL. Well, because I don't want to become involved in anything, I mean just like I don't want to hurt my reputation.

Mr. RICE. Yes. And even if a friend calls upon you to do something, you don't want to hurt your reputation.

Mr. FARRELL. That is right.

Mr. RICE. As a matter of fact, you did something, didn't you?

Mr. FARRELL. What did I do?

Mr. RICE. You got a hold of a lawyer for him, didn't you?

Mr. FARRELL. Well, I am no lawyer. I had to get a hold of someone.

Mr. RICE. And you took your brother-in-law Randa over to Harlan, didn't you?

Mr. FARRELL. Yes; I did.

Mr. RICE. And you let him stand up and take the publicity, didn't you?

Mr. FARRELL. I did not think he was going to get the publicity. I mean, he volunteered, himself, to do it.

Mr. RICE. He volunteered to do it?

Mr. FARRELL. I just stood back. I did not want to. And, of course, Augie did not think there was anything wrong in it, and he just volunteered to do it.

Senator WILEY. May I suggest, Mr. Chairman, that we have some pretty important testimony in front of us here in these pamphlets, if they are true, that is very significant. We have gone over this three or four times, and I suggest that we get into the meat of the coconut here and find out what we think we have got, as to whether it is true.

Mr. RICE. All right, sir.

Do you know a man by the name of Gioe, Charlie Gioe, "Cherry Nose" Gioe?

Mr. FARRELL. Yes, I know him; but I have not seen him for a long time.

Mr. RICE. You have not seen him for a long time?

Mr. FARRELL. No.

Mr. RICE. Tell us about your acquaintanceship with "Cherry Nose" Gioe, where you met him, what business he was in.

Mr. FARRELL. Well, we were kids together, in the same neighborhood, around the Hull House at Polk and Halsted Street.

Mr. RICE. In what city?

Mr. FARRELL. Chicago, Ill.

Mr. RICE. You grew up with Charlie, didn't you?

Mr. FARRELL. Well, he is maybe 3 or 4 years older than I, we played on the same sandlots together.

Mr. RICE. You played on the same sandlots?

Mr. FARRELL. Yes.

Mr. RICE. Who were some of the other fellows you played with?

Mr. FARRELL. I cannot recall.

Mr. RICE. Was Tony Accardo one?

Mr. FARRELL. No.

Mr. RICE. Jake Guzik?

Mr. FARRELL. No, sir.

Mr. RICE. Hymie Levin?

Mr. FARRELL. No, sir.

Mr. RICE. Do you know any of them?

Mr. FARRELL. No, sir.

Mr. RICE. So you grew up with Charlie Gioe?

Mr. FARRELL. Yes, sir.

Mr. RICE. What business is he in?

Mr. FARRELL. I don't know.

Mr. RICE. What business did you ever know him to be in?

Mr. FARRELL. I was not that close to him, to find out what his business was.

Mr. RICE. Did you ever see him in Des Moines?

Mr. FARRELL. Did I ever see him in Des Moines?

Mr. RICE. Yes.

Mr. FARRELL. No, sir.

Mr. RICE. I think we have some testimony, Senator, that during prohibition Gioe was running liquor into Iowa. Do you know anything about that?

Mr. FARRELL. No, sir.

Mr. RICE. All right, sir.

Now, did there come a time when you had some dealings with Peter and Gladys Rand at the Mainliner?

Mr. FARRELL. Oh, yes, sure.

Mr. RICE. Who are they?

Mr. FARRELL. Well, Pete Rand happens to be my wife's first cousin.

Mr. RICE. Is he related to this Augie Randa, who put up the bond money?

Mr. FARRELL. He is a first cousin.

Mr. RICE. A cousin?

Mr. FARRELL. Yes.

Mr. RICE. What happened there at the Mainliner?

Mr. FARRELL. Oh, well, Pete came to me, just when I was in town a couple of years, real bedraggled and poor, and he needed money so

that he could support his family, and he was on parole at the time, so I helped him out, and then he came to me and says——

Mr. RICE. All right. Let's get at it this way. The Mainliner is what, a restaurant in Des Moines?

Mr. FARRELL. It was a restaurant, a night club.

Mr. RICE. It was a restaurant there?

Mr. FARRELL. Yes.

Mr. RICE. A night club?

Mr. FARRELL. Yes.

Mr. RICE. Did they do a little gambling there?

Mr. FARRELL. That I don't know, because I was not in there after him and I had a little difficulty.

Mr. RICE. And he and Peter Rand had an interest——

Mr. FARRELL. Yes, sir.

Mr. RICE. And Charlie Gioe had an interest?

Mr. FARRELL. Not that I know of; I don't think so.

Mr. RICE. It is possible, though, isn't it?

Mr. FARRELL. I couldn't see how.

Mr. RICE. It is pretty well known that he had an interest there, isn't it?

Mr. FARRELL. Well——

Mr. RICE. Would you want to say that you never heard that?

Mr. FARRELL. That he had an interest?

Mr. RICE. Yes.

Mr. FARRELL. I positively know that he did not have an interest.

Mr. RICE. Now, there came a time when you went out there with a gun, didn't you?

Mr. FARRELL. That is Pete Rand's word against mine.

Mr. RICE. All right. Let's hear your word.

Mr. FARRELL. I never went out there with any gun. I went out to get some money that he owed me.

Mr. RICE. That Pete Rand owed you?

Mr. FARRELL. That he owed me, that is right.

Mr. RICE. How did you go about getting that money?

Mr. FARRELL. Well, you see, when he first started in business, he gave me a real good song and dance.

Mr. RICE. Yes, we know; you loaned him money, we are up to that.

Mr. FARRELL. If you want me to explain, I will.

Mr. RICE. Tell us how you were going to get the money back.

Mr. FARRELL. I was supposed to have 25 percent of the place, see, without no papers, no nothing.

Mr. RICE. You took over Charlie Gioe's interest, did you not?

Mr. FARRELL. No; definitely not.

Senator WILEY. How much money did you put in?

Mr. FARRELL. I will tell you where the money came from.

Senator WILEY. How much money did you put in?

Mr. FARRELL. I think it was about \$2,500, that I signed for him through the Opportunity Investment Co. in Des Moines, for him to get that money, and with this \$2,500 that I signed for him, I was supposed to get the money back, plus 25 percent of the place.

But then when he started counting the money, he started counting my money out of the "steam" register. In other words, there was all steam and no money, so I just told him to give me my money back and forget about the 25 percent.

Well, he kind of got a little bit mad at me, and I was sorry, because being my wife's first cousin, and I walked out of the place.

The next morning I find out through the newspapers that I had gone in there with a gun, and I had gone with this, and I had done this, and I had done that, and that was called upon to make a comment, but I was not at home. And I never did leave the house. I don't know who called me. They must have got the wrong room when they called. At that time I was not married.

That is the story, and it is the truth. I am under oath. That is the only person, the only one that give him any money was the \$2,500 from the Opportunity Investment Co.

Senator O'CONOR. Remember, there is only one end.

Well, Mr. Witness, isn't it a fact that there was gambling conducted there, that is was a gambling casino in conjunction with an eating place?

Mr. FARRELL. Well, if it was—I heard it, but I couldn't tell you, because it was after I had the dispute with him.

Senator O'CONOR. Yes; but you did get a 25-percent interest in the place?

Mr. FARRELL. No, sir; I got 25 percent of the "steam" register.

Senator O'CONOR. Yes. I understand. As a result of the difficulty you had with Rand, were any court proceedings instituted?

Mr. FARRELL. Yes; Gladys went to court and filed an injunction.

Senator O'CONOR. And did you make any defense to it, or did you appear in court?

Mr. FARRELL. I just ignored it, and there was nothing done.

Senator O'CONOR. What did the injunction call for?

Mr. FARRELL. I don't remember right now.

Senator O'CONOR. Do you mean to tell this committee that court proceedings were instituted against you, and you do not know at this time what they called for or what the purpose of it was?

Mr. FARRELL. Well, if you believe me, the court proceedings that were in there were what I read in the newspaper, that there was an injunction filed against me, and that I was not to go near the place and, of course, you know they doctored it up real good.

Senator O'CONOR. Didn't the newspapers charge that you were trying to muscle in on the place?

Mr. FARRELL. Well, I don't remember reading it, but I would not doubt it. The newspapers write anything they want to write, you know.

Senator O'CONOR. Well, now, here you are accused in the newspapers of attempting to muscle in on a place which is described as a gambling casino.

Mr. FARRELL. Yes.

Senator O'CONOR. And the petition is one in the district court of Iowa, in and for Polk County, wasn't that correct, and the charges that the defendant then and there displayed a revolver and threatened to shoot and kill the employees of said place if his demands were not complied with.

Those papers were served on you?

Mr. FARRELL. Those were their words, I mean, they didn't get my words.

Senator O'CONOR. Now, you did not even answer it.

Mr. FARRELL. There was no answer. I was not told to answer.

Senator O'CONOR. At the time these papers were served on you——

Mr. FARRELL. Yes.

Senator O'CONOR. Weren't you given an opportunity to answer?

Mr. FARRELL. No, sir; I did not go to no court. All I knew is what I read in the papers, and then it was canceled out.

Senator O'CONOR. Well, now, you said you did not take a gun out there.

Mr. FARRELL. No.

Senator O'CONOR. Actually did you have a permit to have a gun?

Mr. FARRELL. Did I have a permit?

Senator O'CONOR. Yes.

Mr. FARRELL. Yes; I had a permit at that time.

Senator O'CONOR. In other words, you applied for and received a permit to carry a gun in Iowa?

Mr. FARRELL. Well, I had, for my business; yes.

Senator O'CONOR. For your business?

Mr. FARRELL. Yes.

Senator O'CONOR. Well this was a part of your business, wasn't it?

Mr. FARRELL. Oh, no.

Senator O'CONOR. Did you have a gun? Did you own a gun at the time that you had this trouble with the Rands?

Mr. FARRELL. Did I own a gun?

Senator O'CONOR. Yes.

Mr. FARRELL. Well, if I got a permit, I mean, if I had a gun permit, I must have had a gun.

Senator O'CONOR. I mean, was it at this time that you had it?

Mr. FARRELL. Did I have a gun at that time?

Senator O'CONOR. Yes.

Mr. FARRELL. Yes.

Senator O'CONOR. Was it your habit to carry a gun with you?

Mr. FARRELL. Oh, no.

Senator O'CONOR. But you went out there expecting some trouble, didn't you?

Mr. FARRELL. No; I never had no gun out there. I never carried a gun. To me the gun permit was for my office, and I kept it in the office, or when we went to the bank to cash checks, and that was the only reason why I got the permit, just to carry cash from the bank to the place, and I would leave the gun in the office.

Senator O'CONOR. But the fact remains that these people went to court against you, filed proceedings charged you were molesting them and threatening them with bodily harm, and having had a gun, and you did not even answer it and did not deny it, isn't that correct?

Mr. FARRELL. I did not answer or deny it.

Senator O'CONOR. I said, you did not deny it, isn't that true?

Mr. FARRELL. Sure, I denied it.

Senator O'CONOR. But you did not go to court and deny it.

Mr. FARRELL. I did not have to go to court.

Senator O'CONOR. You just allowed it to go unanswered?

Mr. FARRELL. No. I think that they cooled down. They were mad, and they were willing to say anything, and I think they might have mentioned that I belonged to the Communists, or something, anything to get even with me, see?

Senator WILEY. Did the court take any action? Does it show whether they did or not? Did they issue an injunctive order?

Senator O'CONOR. Yes; the court issued an injunction against you.

Mr. FARRELL. Not that I know of.

Senator O'CONOR. Here is an order by Judge Shankland restraining you from molesting or injuring these people.

Mr. FARRELL. I don't remember.

Senator O'CONOR. You don't remember.

Senator WILEY. Was that a temporary or permanent order?

Mr. FARRELL. I had difficulty with them, I remember, about the injunction, but I don't remember receiving one or going to court.

Senator O'CONOR. The paper shows, I may say, Senator, the Senator from Wisconsin, that he was given an opportunity to answer it, to show cause why it should not remain permanent.

And you did not show any cause?

Senator WILEY. Well, was it made permanent? Sometimes there is interlocutory injunction order issued on the presentation of some facts.

Senator O'CONOR. That is right. This was a motion for a temporary restraining order.

You were given an opportunity to answer and did not file any response at all?

Mr. FARRELL. Well, I don't know. I will put it that way, so far as legal technicalities are concerned.

Senator O'CONOR. That is all, Counsel.

Senator HUNT. You may proceed, Counsel.

Mr. RICE. Will you flatly deny that you displayed a gun when you went to the Mainliner on the occasion to collect money?

Mr. FARRELL. Definitely.

Mr. RICE. You did not display a gun?

Mr. FARRELL. No, sir.

Mr. RICE. Did you collect the money?

Mr. FARRELL. No, sir; I did not.

Mr. RICE. You did not collect the money?

Mr. FARRELL. No.

Mr. RICE. Did you ever collect the money?

Mr. FARRELL. Yes, sir.

Mr. RICE. You collected later?

Mr. FARRELL. Yes.

Mr. RICE. How did you do it?

Mr. FARRELL. An attorney collected it.

Mr. RICE. I see. Why didn't you do that in the first place?

Mr. FARRELL. Well, when you take a man and feed him and everything else, and then he does things like that, that I would like to go out there and take my money. I mean, I gave it to him without a lawyer, I mean, why should he use a lawyer, or make me use a lawyer to get it from him?

Mr. RICE. All right, sir. You had a gun, you say. What type of gun did you have?

Mr. FARRELL. I don't remember.

Mr. RICE. Was it a revolver?

Mr. FARRELL. I could not tell you.

Mr. RICE. Was it an automatic?

Mr. FARRELL. If I thought this was coming up, I would have remembered it, but I didn't know it was coming up.

Mr. RICE. Yes. Take a little while and remember. You had a permit, didn't you?

Mr. FARRELL. No—I had a permit; yes, sir.

Mr. RICE. Yes. From whom did you get the permit?

Mr. FARRELL. Well, I don't know whether it was from——

Mr. RICE. Well, it was from the police department, wasn't it?

Mr. FARRELL. Yes. I think myself, to tell you the truth, I think Pete Rand got it for me through one of his friends. You know Pete is a politician.

Mr. RICE. Yes. He got one of his friends on the police department to get it for you, didn't he?

Mr. FARRELL. I think he got one of his friends to get it for me.

Mr. RICE. Yes. Do you know who that friend was?

Mr. FARRELL. No.

Mr. RICE. He got you a permit, and you don't remember whether it was a revolver or an automatic.

Mr. FARRELL. I don't, no.

Mr. RICE. Do you know how to handle an automatic?

Mr. FARRELL. No.

Mr. RICE. Do you know how to handle a revolver?

Mr. FARRELL. No.

Mr. RICE. Then what are you doing with a gun then?

(No answer.)

Mr. RICE. I did not hear your answer.

Mr. FARRELL. What am I doing with a gun?

Mr. RICE. Yes.

Mr. FARRELL. I mean, I thought if the time come and I needed to protect myself against robbers, or something like that. Maybe I didn't have no reason to learn how to use one.

Mr. RICE. You were going to learn when you got in trouble?

Mr. FARRELL. Well, you don't get in trouble defending yourself with somebody wanting to rob something from you.

Mr. RICE. Did the Mainliner have wire service?

Mr. FARRELL. That I definitely do not know.

Mr. RICE. You definitely do not know?

Mr. FARRELL. Positively.

Mr. RICE. Do you know what I am talking about when I say "wire service"?

Mr. FARRELL. I have been reading an awful lot about it.

Mr. RICE. Well, you know more than what you have been reading, too, don't you?

Mr. FARRELL. No, sir, I don't. I am under oath.

Mr. RICE. I am talking about the race wire service that serves bookies.

Mr. FARRELL. Yes, sir.

Mr. RICE. When did you first start learning about the race wire service?

Mr. FARRELL. You would not believe me if I tell you, I still don't know anything about it.

Mr. RICE. You still don't know anything about it?

Mr. FARRELL. That is right.

Mr. RICE. Did you ever buy any of it?

Mr. FARRELL. No, sir; I did not.

Mr. RICE. Are you sure about that?

Mr. FARRELL. I am positive. I am under oath.

Mr. RICE. Yes; you are under oath.

Mr. FARRELL. Yes, sir.

Mr. RICE. You never bought any of it?

Mr. FARRELL. No, sir.

Mr. RICE. Do you know Sylvester Farrell?

Mr. FARRELL. No, sir; I do not.

Mr. RICE. Is he any relation of yours?

Mr. FARRELL. No, sir.

Mr. RICE. You don't know him?

Mr. FARRELL. No.

Mr. RICE. All right, sir. Did you ever buy any wire service?

Mr. FARRELL. No, sir; I did not.

Mr. RICE. What is this on your tax return, "horse service, \$2,212"?

Mr. FARRELL. What is that?

Mr. RICE. What is this on your tax return, "horse service, \$2,212.40"?

Mr. FARRELL. Well, that I could not answer you. I came in without no local counsel, so long as you are going into income tax, why, I don't think I want to answer that without advice of my lawyer.

Mr. RICE. Yes. Now, sir, do you make up your tax returns?

Mr. FARRELL. No, sir; I do not.

Mr. RICE. Who makes them up?

Mr. FARRELL. McGladry Hanson.

Mr. RICE. Where did McGladry Hanson get the figures to make the tax return up from?

Mr. FARRELL. Where did he get the figures?

Mr. RICE. Yes.

Mr. FARRELL. I still would like to get advice from my attorney before I answer that question.

Mr. RICE. Yes, sir. Now then, are you refusing to answer the question about where McGladry Hanson gets the figures to make up your income-tax return?

Mr. FARRELL. Well, if it is in regard to books and things, I refuse to answer on my constitutional rights.

Mr. RICE. Are you afraid it would incriminate you?

Mr. FARRELL. I am not afraid it would incriminate me, but I would like to get advice from my counsel. I would like to know whether I could answer you one way or the other.

Mr. RICE. Yes. I think you could.

Mr. FARRELL. If I lied to you, I would be in trouble, and I would like to get advice of my counsel.

Mr. RICE. I am just referring to your return which you produced this morning. We don't need to complicate it with lawyers. This is between you and the committee. Did you consult a lawyer before you came here?

Mr. FARRELL. No, sir.

Mr. RICE. I see. You brought with you your tax returns.

Mr. FARRELL. Yes, sir.

Mr. RICE. Lew Farrell, your individual return which was, of course, signed by you. You sign your returns, don't you?

Mr. FARRELL. Oh, I always file my income-tax return.

Mr. RICE. Yes. All right. Now, do you want to tell us where the information came from that McGladry Hanson used to prepare this return from?

Mr. FARRELL. Not without the advice of my attorney.

Mr. RICE. All right. Maybe this will clear it up. Stated on the bottom of your return is "Lew Farrell, 1115 Caulder Street, for the year 1947," and it says this:

This return has been prepared on the basis of information furnished by taxpayer and without verification by us.

Now sir, does this help your recollection any about where they got the information from?

Mr. FARRELL. I still will not give you any answer until I receive counsel's advice.

Mr. RICE. I understand that this was done by Boyer, Berkhoff.

Mr. FARRELL. Yes; McGladry Hanson is the same as the firm of Boyer, Berkhoff.

Mr. RICE. All right, sir. Now are you in a partnership, or were you in a partnership venture called the Sports Arcade, 612 Grand Avenue, Des Moines?

Mr. FARRELL. I will have to get advice from my counsel to answer that.

Mr. RICE. You refuse to answer whether you were in a partnership called the Sports Arcade?

Mr. FARRELL. No; until my lawyer tells me to answer.

Mr. RICE. Is that the basis for your refusing to answer, that you have to wait for your lawyer to tell you?

Mr. FARRELL. I will have to get the advice from my counsel, because I am not up on the law.

Mr. RICE. I am going to ask the Chair that the witness be directed to answer the question about whether he was a partner in a venture known as the Sports Arcade.

Senator HUNT. Before putting the question, the Chair would like to say to the witness that this is his income-tax return.

Mr. FARRELL. Yes, sir.

Senator HUNT. He has submitted the information to the party that prepared the return.

Mr. FARRELL. Yes, sir.

Senator HUNT. It was information that the party preparing the return got no place excepting directly from you?

Mr. FARRELL. Yes, sir.

Senator HUNT. Now, the question of counsel is, Do you refuse to answer the source of the information contained in the return?

Mr. FARRELL. Well, not unless I receive counsel. I stand on my constitutional rights.

Senator HUNT. Now, the witness understands that in refusing to answer a question when directed to do so by the acting chairman places you in the position of possibly being cited for contempt of the Senate by the Senate.

Mr. RICE. In addition, Mr. Chairman, I suggest that having opened the door by producing these documents that he has waived any immunity he might have in the situation and is compelled to answer that.

Mr. FARRELL. What is that?

Senator HUNT. Will you state again what you have just said, Counsel?

Mr. RICE. I say, having produced these documents voluntarily, without asserting any privilege, you waived any immunity which may have arisen before, and you are compelled to answer the questions concerning these documents.

Mr. FARRELL. Well, I was sincere. You asked me to bring them.

Mr. RICE. Yes.

Mr. FARRELL. I didn't know that you was doing it to—

Mr. RICE. Yes. All right, sir. Just take a look at it and tell us about that document.

Mr. FARRELL. I am standing on my constitutional rights, and I am not going to say anything to incriminate myself.

Mr. RICE. Is that one of the ones you brought?

Mr. FARRELL. I am not going to answer.

Mr. RICE. Now, then, when you say you are standing on your rights and refusing to incriminate yourself, you have already said that you are not under any indictment.

Mr. FARRELL. Yes, sir.

Mr. RICE. And you don't fear prosecution?

Mr. FARRELL. I haven't done anything wrong.

Mr. RICE. Yes, sir. Now, this offense which you have in mind, which you fear, is that a Federal or State offense?

Mr. FARRELL. I am not a lawyer. I cannot explain that to you.

Mr. RICE. No. You are a citizen?

Mr. FARRELL. Yes.

Mr. RICE. And you know what you have done; so, you have in mind having committed an offense, if you are asserting your privilege.

Mr. FARRELL. No; I am not going to admit something I have not done. I mean, I want legal advice before I answer.

Mr. RICE. I submit, Mr. Chairman, that the witness cannot assert his privilege on a hypothetical situation. He must have a fixed and definite notion of an offense which has been perpetrated.

All right, sir. Were you a partner in the Sports Arcade in Des Moines, Iowa, in the year 1947?

Mr. FARRELL. Was I a partner in there?

Mr. RICE. Yes.

Mr. FARRELL. I will have to get legal advice.

Senator HUNT. The acting chairman interprets your answer to be that you refuse to answer. Is that correct?

Mr. FARRELL. On the ground I may incriminate myself.

Senator HUNT. The Chair then directs you that you do answer; and again, What is your answer?

Mr. FARRELL. On the ground that I may incriminate myself.

Senator HUNT. Counsel, since the witness has refused to answer the question, the Senate will take your action under consideration and take appropriate action; but the Chair will not direct the counsel to proceed to disclose for the record the contents of your income-tax return. Counsel?

Mr. RICE. Now, sir, at this time I am reading from an Iowa State partnership return produced by the witness in response to subpoena for the calendar year 1947 concerning the Sports Arcade, 612 Grand Avenue, Des Moines, Iowa.

The partners in that venture are named as Hymie Wiseman, Des Moines, Iowa, and Lew Farrell, Des Moines, Iowa. The gross income from that venture for that year, \$18,556.

Among expenses set forth, here is an item of \$2,212.40 for horse service.

Mr. WITNESS, what is meant by the term "horse service" in that return?

Mr. FARRELL. I couldn't tell you. I have never been in the Sports Arcade and I couldn't tell you what went on in there.

Senator TOBEY. Do you breed horses?

Mr. FARRELL. Pardon?

Senator TOBEY. Do you breed horses?

Mr. FARRELL. Breed horses?

Senator TOBEY. Breed, b-r-e-e-d. Do you conduct a breeding stable of horses?

Mr. FARRELL. Oh, no.

Senator TOBEY. What does "horse service" mean then?

Mr. FARRELL. I don't know. It may mean—it could mean a lot of things.

Senator TOBEY. This is your income-tax return?

Mr. FARRELL. Yes, sir.

Senator TOBEY. And on it is an item of horse service, \$2,400.

Mr. FARRELL. Yes, sir.

Senator TOBEY. It is your return; you signed it. What did you mean by that? What does it convey to the public, to the Government?

Mr. FARRELL. I could not answer you and justify myself and justify the committee without legal counsel, without aid of counsel.

Senator HUNT. Counsel, will you proceed?

Mr. RICE. Yes, sir.

Now, sir, did you ever personally subscribe to a race-wire service?

Mr. FARRELL. No, sir; I did not.

Mr. RICE. Did you ever tell anyone that you arranged for a subscription to a race-wire service?

Mr. FARRELL. Did I ever tell? No; I did not.

Mr. RICE. Didn't you testify at one time that you made some arrangements in Chicago?

Mr. FARRELL. No; I understand that the testimony of a certain Alcohol Tax Unit man put that in the statement, but I didn't tell him that I subscribed for any race-horse wire.

Mr. RICE. All right, sir.

I am going to show you—

Mr. FARRELL. Yes.

Mr. RICE (continuing). A photographic copy of an invoice of the Midwest Illinois News Service Co. of Chicago, dated March 13, 1948, to the Sports Arcade in Des Moines, Hymie Wiseman and Lew Farrell.

Mr. FARRELL. Yes.

Mr. RICE. And the date for which this bill is rendered is to May 15 of 10 weeks, inclusive, \$756; stamped paid, March 19, 1948.

I will show you that and ask you to tell us if that refreshes your recollection [handing document to witness].

Mr. FARRELL. That is not my signature.

Mr. RICE. I know it is not your signature. I asked if it refreshes your recollection.

Mr. FARRELL. The first time I saw this, this was in the newspapers. I saw a picture of it, where you got this—

Mr. RICE. Yes.

Mr. FARRELL. I mean the same man put it in the newspapers.

Mr. RICE. Now, then, did you get that wire service?

Mr. FARRELL. Pardon? No, sir.

Mr. RICE. For which you were billed?

Mr. FARRELL. No, sir; I never had anything to do with any wire service.

Mr. RICE. Will you deny that you got the wire service?

Mr. FARRELL. Yes, positively.

Mr. RICE. And you never had anything at all to do with the wire service?

Mr. FARRELL. I never have.

Mr. RICE. And you never arranged to subscribe to wire service?

Mr. FARRELL. No, sir.

Mr. RICE. You never talked to anyone in Chicago for wire service?

Mr. FARRELL. Did I talk to anyone in Chicago? No, sir.

Mr. RICE. You are absolutely sure about that?

Mr. FARRELL. Positively.

Mr. RICE. Yes, sir; I will offer that, Mr. Chairman, as exhibit No. 39.

Senator HUNT. The exhibit will be received, and it will go into the record.

(The document referred was marked as exhibit No. 39 and is on file with the committee.)

Mr. RICE. All right, sir. Did I understand your testimony to say that you had never been in the Sports Arcade?

Mr. FARRELL. I have never been in the Sports Arcade; that is right.

Mr. RICE. All right, sir.

I have here a record which indicates in 1949 you received payments in the amount of \$13,122 from the Sports Arcade.

Mr. FARRELL. Yes.

Mr. RICE. Incidentally, it is a record which you produced.

Mr. FARRELL. Yes.

Mr. RICE. How did you make that arrangement?

Mr. FARRELL. I would have to talk to my lawyer to find out what the answer would be there. [Laughter.]

The CHAIRMAN. Well, Mr. Chairman, we had hearings in St. Louis about—I do not know—3 weeks ago almost, in which Mr. Farrell was served, I think, the last day of our hearings or when our hearings were on in St. Louis, and he was going to come in St. Louis, but it was not convenient, and he was served too late. I think the day before our hearings closed, so he has had all of this time to get a lawyer.

Why haven't you consulted a lawyer, Mr. Farrell?

Mr. FARRELL. Because I don't think I have done anything wrong, and I don't see why I should have a lawyer.

The CHAIRMAN. Well, you do not see why you should have a lawyer, and yet you want to consult. You say you can't answer?

Mr. FARRELL. I didn't know I was going to run into these legal technicalities or I would have had him available.

The CHAIRMAN. Well, you are a big-business man, and you have a lawyer?

Mr. FARRELL. I am not as big a businessman as I have been publicized I am.

The CHAIRMAN. Well, Mr. Farrell, you have a lawyer who is your regular lawyer?

Mr. FARRELL. Well, I have Leo Lucier and Ralph Bellizzi; they are two lawyers who are working on my basic permit right now.

The CHAIRMAN. Well, you got a lawyer for the Gargottas; you got two lawyers for your basic permit. So, you would not have any trouble if you wanted to have one.

Mr. FARRELL. I didn't think I was going to run into legal technicalities. I thought you were just going to ask me some questions.

The CHAIRMAN. I assume you would think we would ask you about the records you brought in, to explain them. You brought them in—

Mr. FARRELL. They are very plain.

The CHAIRMAN (continuing). But you will not talk about them. Excuse me, Mr. Chairman.

Senator O'CONOR. Any application for the basic permit was there any reference made to your connection with the Sports Arcade?

Mr. FARRELL. In the reference—

Senator O'CONOR. In your application in pursuing your application for the basic permit, was any reference made to the Sports Arcade, that is, in connection with any discussion that you had?

Mr. FARRELL. It is not clear to me right now; I don't know whether I did.

Senator O'CONOR. You have an application in for a basic permit?

Mr. FARRELL. Oh, yes.

Senator O'CONOR. Did you talk to the Alcohol Tax people about it?

Mr. FARRELL. Oh, yes.

Senator O'CONOR. Didn't they tell you something about your connection with the Sports Arcade?

Mr. FARRELL. Well, they asked me some questions about it.

Senator O'CONOR. That is right.

Mr. FARRELL. But—

Senator O'CONOR. What questions did they ask you, and about what did they question you?

Mr. FARRELL. I don't know; I can't remember just exactly.

Senator O'CONOR. Let me see if I can refresh your recollection. Did they not tell you that the Sports Arcade was operating gambling and that your connection with it might interfere with your application for the basic permit?

Mr. FARRELL. They told me that it operated gambling, and I told them it did not.

Senator O'CONOR. How did you know it did not if you never went there, as you say?

Mr. FARRELL. Because I was told that it did not, by the man who operated it.

Senator O'CONOR. And you just relied on what he told you, although you were financially interested in it?

Mr. FARRELL. Yes.

Senator O'CONOR. What did you think they operated to get the money that you took down—

Mr. FARRELL. They didn't take too much money, if you look at the income tax things there. There wasn't too much money.

Senator O'CONOR. But the fact is the officials told you that they were interested in gambling and operating a gambling establishment; didn't they?

Mr. FARRELL. Who was that?

Senator O'CONOR. The alcoholic people.

Mr. FARRELL. Oh, they tried to tell me that; yes.

Senator O'CONOR. They tried it?

Mr. FARRELL. But I told them it was not a gambling establishment; that is a matter of record.

Senator O'CONOR. Did you not say that if that was the case you would have the application made in your wife's name? Was there not some discussion about that?

Mr. FARRELL. I don't remember; I don't think I would say that I would make the application in my wife's name. Why would I? I have operated a beer business since 1945, and I have operated in conformity with every alcohol tax law, and I swear that it is nothing but the perpetration of a couple of beer distributors, and they have got a newspaperman that is helping them out, and that has been all my troubles right there.

Senator TOBEY. Mr. Witness, with reference to this bill that is before us here, a photostatic copy of the bill of the Midwest Illinois News Service Co., to Wiseman and Farrell, and the Farrell being you, for \$756, for 10 weeks Federal wire tax and service, I point out it is receipted as of March 12, 1948.

How did you pay that bill, in cash or in check?

Mr. FARRELL. I did not pay it.

Senator TOBEY. Mr. Counsel, have we the man's checkbooks before us, and records?

Mr. RICE. We have subpoenaed his income and expense, if I am not mistaken.

Senator TOBEY. The money that was paid there, there must be evidence of it somewhere.

Mr. RICE. Yes. You might call on him to produce—this is a copy of the subpoena.

Mr. FARRELL. You have my checkbooks, anything you want.

Senator TOBEY. Well, you know and I know, without quibbling around here, that this concern, the Midwest Illinois News Service Co., is not going to receipt a bill of \$756 until they have got the money; is that not true? That is elementary; is it not?

Mr. FARRELL. I would say that, but they did not receive it from me.

Senator TOBEY. But the point is the bill is made out to you. Did Wiseman pay them?

Mr. FARRELL. I don't know.

Senator TOBEY. Here is the receipted bill made out to you and Wiseman, and you say you did not pay it. Then, Mr. Chairman—

Mr. FARRELL. The only time I saw that bill there—I saw it—is in the newspapers.

Senator TOBEY. It does not make any difference whether you saw it or not; some underling may have done it for you. These fellows in the Midwest are not stupid. They receipted a bill, and here is a photostatic copy of it. Therefore, there must be evidence of how it was paid, and I think we will get it.

Mr. FARRELL. I wish you would look into it.

Senator TOBEY. I promise you we will.

Mr. FARRELL. I hope you would, and vindicate me.

Senator TOBEY. Well, we are going to get a lot more before we are through.

Mr. FARRELL. Thank you.

The CHAIRMAN. Mr. Chairman, it cannot be any question about it, in his report to the State of Iowa as expenses he charged off the \$2,200 during that same period, which was his part of what he paid for the wire service. That is shown by his own records, which you brought in here, and which he made up.

Senator TOBEY. I am reminded of a phrase that appeared in a great book, "Out of their own mouths they condemn themselves."

Mr. FARRELL. What did you say?

Senator TOBEY. "Out of their own mouths they condemn themselves." That is a great famous quotation, sir; and in my judgment, a lot of things you have said here, so far as I am concerned, have condemned you in my mind, as evading the truth and quibbling about little points. This is the Senate of the United States, and you are before us. Why didn't you come through clean and say, "Gentlemen, I have nothing to conceal; I am as clean as I could possibly be. Ask any question you want answered. I want to help," instead of hiding behind the——

Mr. FARRELL. That is a wonderful speech.

Senator TOBEY. Yes, it is a wonderful speech. [Applause.]

Mr. FARRELL. You see, I can talk——

Senator TOBEY. But you cannot measure up to being worthy of it, that is the trouble with you.

Mr. FARRELL. I can come before that because I have nothing to hide.

Senator TOBEY. You have nothing to hide? Answer the questions, then.

Mr. FARRELL. I can't answer them if you put the words in my mouth.

Senator TOBEY. I have not put the words in your mouth.

Mr. FARRELL. Well, you are trying to.

Senator TOBEY. You cannot answer this question. I will challenge you to do it.

Senator HUNT. The acting chairman would like to say to all persons in the room that demonstrations are not permissible, and he requests no further demonstration like we have just had shall happen again.

Now, Mr. Witness, you were directed in this subpoena to bring with you books and records relating to your assets, both real and personal, income and expense, for the year 1944 to date. The question the acting chairman wants to ask you is, Have you brought with you all of those records?

Mr. FARRELL. Yes; whatever you asked me there, I brought those; yes, sir.

Senator HUNT. Where are the canceled vouchers for the payment of this particular bill for racing news service of \$756?

Mr. FARRELL. I didn't pay it. So, therefore—I mean——

Senator HUNT. You are the Mr. Farrell referred to in this particular paid bill; are you not?

Mr. FARRELL. I wouldn't say that. I have never had anything to do with a wire service.

Mr. RICE. Perhaps this would help, Senator.

Do you know a man by the name of Bart Higgins?

Mr. FARRELL. Bart Higgins?

Mr. RICE. Yes.

Mr. FARRELL. Yes, he is an old drunkard from around Des Moines, about 70 years old.

Mr. RICE. He is an old drunkard? Here is the part that Mr. Higgins has to say about Mr. Farrell, and let us see if Mr. Farrell has anything to say about that.

Bart Higgins, an admitted gambler, on January 7, 1948, complained that he was being run out of business. He complained publicly that gambling was run by Farrell and Hymie Wiseman. He says, "They had two horse race wires in Des Moines, but they won't let me use them."

Have you anything to say about that?

Mr. FARRELL. I am under oath; is that true?

Mr. RICE. Yes.

Mr. FARRELL. He is nothing but a big liar, l-i-a-r.

Mr. RICE. All right, sir.

You still say you had nothing to do with the wire service?

Mr. FARRELL. Yes, sir.

Mr. RICE. Despite the fact that it shows in your income-tax return that you are charging expenses for it?

Mr. FARRELL. You just told me that he said I had two wires in 1948.

Mr. RICE. Yes.

Mr. FARRELL. And that I would not let him use it?

Mr. RICE. Yes.

Mr. FARRELL. I told you that I was under oath, and that was a big lie.

Mr. RICE. Yes.

Mr. FARRELL. You have got the wrong witness here.

Mr. RICE. Have you ever heard that statement before?

Mr. FARRELL. Pardon?

Mr. RICE. Have you ever heard that statement before?

Mr. FARRELL. Oh, he is liable to make any statement. He is drunk all the time.

Mr. RICE. Yes; and have you heard that before?

Mr. FARRELL. Well, I have heard of a lot of things that he has made—

Mr. RICE. You read it in the newspapers; did you not?

Mr. FARRELL. Read it in the newspapers? Well, the Register and Tribune are wonderful papers.

The CHAIRMAN. Mr. Farrell, you say he is wrong? In the first place, did you have a wire service?

Mr. FARRELL. No, sir; absolutely not.

The CHAIRMAN. Well, did the Arcade have a wire service?

Mr. FARRELL. Pardon?

The CHAIRMAN. Did the Arcade have a wire service?

Mr. FARRELL. Not that I know of; not to my knowledge.

The CHAIRMAN. Were you a partner in the Arcade?

Mr. FARRELL. Was I a partner in the Arcade?

The CHAIRMAN. Yes. It is quite apparent the Arcade had a wire service, the Sports Arcade.

Mr. FARRELL. Well, the Sports Arcade did not have a wire service; absolutely not.

The CHAIRMAN. And you know that of your own knowledge?

Mr. FARRELL. Yes, sir; I do, and I am making it under oath here.

The CHAIRMAN. Why did you list in your Iowa tax return expenses of \$2,200 for wire service? What was the wire service?

Mr. FARRELL. Well, I did not operate the place; I mean, I did not have anything to do with the operation of the place.

The CHAIRMAN. Do you know whether they had a wire service or not?

Mr. FARRELL. I know that they did not have a wire service.

The CHAIRMAN. Why did they pay for wire service? Why did you pay for wire service?

Mr. FARRELL. Well, that I can't answer without a lawyer.

The CHAIRMAN. Why did you claim a deduction on your Iowa income tax of \$2,200 for payment to a wire service if you did not have any wire service? Would that not be committing a fraud on the State of Iowa if you deducted \$2,200 for something that was not justified?

Mr. FARRELL. I could not answer you that; I mean——

The CHAIRMAN. All right. Let us get on.

Mr. RICE. I have here a photostatic copy of a State of Iowa application for a retail sales tax permit for the Sports Arcade for the year 1947, and under name of owner or owners, it states Hymie Wiseman and Lou Farrell, which I will submit as an exhibit for the record.

Senator HUNT. It will be received, and taken into the record at this point.

(The document referred to is identified as exhibit No. 40, and is on file with the committee.)

Mr. RICE. You still say you had no interest in the Sports Arcade?

Mr. FARRELL. Yes, sir. Wait a minute, what did you say?

Mr. RICE. Did you say that you had no interest in the Sports Arcade?

Mr. FARRELL. I misunderstood your question. I will take it back. I wouldn't answer that unless I talked to my lawyer.

Mr. RICE. All right, sir.

Do you know Hymie Wiseman?

Mr. FARRELL. Grand little gentleman.

Mr. RICE. What business is he in?

Mr. FARRELL. Well, I don't know; I don't know what he is doing right now, to tell you the truth. I have not seen him for about 7, 8 months.

Mr. RICE. Was he a partner of yours?

Mr. FARRELL. Well, he was an associate of mine; yes.

Mr. RICE. Was he a partner of yours?

Mr. FARRELL. Yes; associate is a better name.

Mr. RICE. Was he a partner of yours?

Mr. FARRELL. Partner; yes.

Mr. RICE. What was he a partner in, legally?

Mr. FARRELL. Well, I think I had better talk to my lawyer about it. [Laughter.]

Mr. RICE. All right, sir. Is your lawyer Fred Ossona?

Mr. FARRELL. Who is that?

Mr. RICE. Fred Ossona.

Mr. FARRELL. No. Fred is a friend of mine, but he is not my lawyer.

Mr. RICE. Is he a friend of yours? Is he a lawyer?

Mr. FARRELL. What?

Mr. RICE. Is he a lawyer?

Mr. FARRELL. Is he a lawyer?

Mr. RICE. Of Minneapolis; yes.

Mr. FARRELL. Yes; he is a good lawyer.

Mr. RICE. A good lawyer in Minneapolis?

Mr. FARRELL. Yes, sir.

Mr. RICE. Tell us about your friendship with Fred Ossona.

Mr. FARRELL. That is through the National Civic League. We have an Italian organization that we try to build youth, and send them to school.

Mr. RICE. Yes. Well now, does he represent you at this time?

Mr. FARRELL. No, sir; he does not.

Mr. RICE. Has he ever represented you?

Mr. FARRELL. Never.

Mr. RICE. Did not he represent you in connection with your Alcohol Tax Unit permit?

Mr. FARRELL. Oh, no.

Mr. RICE. How about Mr. Green?

Mr. FARRELL. Mr. Green? No; neither one of them.

Mr. RICE. What business are you doing with Mr. Ossona, if any?

Mr. FARRELL. Just a friend.

Mr. RICE. Just a friend?

Mr. FARRELL. That is right.

Mr. RICE. How about Mr. Green?

Mr. FARRELL. Well, I met—

Mr. RICE. Irving Green?

Mr. FARRELL. I met Mr. Green through Mr. Ossona. They came into Des Moines, and they beat the railroad company, I mean, out of a suit for \$125,000; that made them mad; that is how I met Mr. Green.

Mr. RICE. All right, sir.

Did you ever pay either Mr. Green or Mr. Ossona any money?

Mr. FARRELL. Me?

Mr. RICE. Yes.

Mr. FARRELL. I don't know for what.

Mr. RICE. Well, I am asking you the question.

Mr. FARRELL. No, sir; I never did.

Mr. RICE. Did you ever pay them? Did any enterprise in which you had a financial interest pay them any money?

Mr. FARRELL. No, sir; absolutely not.

Mr. RICE. You are sure about that?

Mr. FARRELL. Positive.

Mr. RICE. Will you say that you have had no business transactions with Mr. Ossona?

Mr. FARRELL. I will definitely say I had no business transactions.

Mr. RICE. That any transactions that you had were friendly, just friendship?

Mr. FARRELL. I meant about organization work in the National Civic League, that is all.

Mr. RICE. All right, sir.

Are you in the civic business? Are you a do-gooder?

Mr. FARRELL. Pardon?

Mr. RICE. Are you a do-gooder?

Mr. FARRELL. What do you mean?

Mr. RICE. Well, for instance, I notice in your Sports Arcade return for 1947 there was a charge here for depreciation of dice tables. [Laughter.] That is your return?

Mr. FARRELL. I brought it.

Mr. RICE. What is that for?

Mr. FARRELL. I brought it to you, didn't I?

Mr. RICE. Yes.

Mr. FARRELL. You asked me for it.

Mr. RICE. What are you charging off to the Government there in connection with dice tables? What was that?

Mr. FARRELL. I will have to talk to my lawyer.

Mr. RICE. Where were the dice tables?

Mr. FARRELL. I don't know.

Mr. RICE. You do not know? Where were they?

Well, now, you are charging that off as an expense, as an operating expense, and so you are not paying tax on that money, and you are going to say that you do not know anything about it?

Mr. FARRELL. If I owe the Government any money, I will pay them.

Mr. RICE. Yes; and if you perpetrated a fraud on the Government, are you going to pay for that, too?

Mr. FARRELL. I never perpetrated a fraud on the Government, and nobody else.

Senator O'CONOR. Can't you give us any information as to what that applies to so that you have said repeatedly "I have got nothing to hide," and——

Mr. FARRELL. That is right.

Senator O'CONOR (continuing). You have not done anything wrong.

Here is your own statement which you have produced this morning, and on it is an item which needs some explanation. Now, what is the explanation?

Mr. FARRELL. I will put it that I don't want to answer it without any attorney.

Senator O'CONOR. Even though you repeat you have nothing to hide?

Mr. FARRELL. That is right.

Senator O'CONOR. I see.

Well now, you did answer before that in the Sports Arcade there was no gambling.

Mr. FARRELL. That is right.

Senator O'CONOR. Is it not a fact that it was raided?

Mr. FARRELL. Yes.

Senator O'CONOR. And it was raided pursuant to a warrant, was it not?

Mr. FARRELL. Well, that is what I gathered.

Senator O'CONOR. That is what you gathered. And you were part owner or operator?

Mr. FARRELL. No, sir.

Senator O'CONOR. Well, you had an interest in it.

Mr. FARRELL. Yes; I had an interest; yes.

Senator O'CONOR. All right. And under the warrant——

Mr. FARRELL. Yes.

Senator O'CONOR (continuing). Which the State officers served, a lot of gambling paraphernalia and machines were seized, were they not?

Mr. FARRELL. I don't remember, to tell you the truth.

Senator O'CONOR. What did they get when they raided the place?

Mr. FARRELL. I don't know. I was not on the raid.

Senator O'CONOR. Well, you certainly found out about it, did you not?

Mr. FARRELL. Yes. They arrested me later on.

Senator O'CONOR. All right, I am coming to that.

Mr. FARRELL. Not that they arrested me; they asked me to come in.

Senator O'CONOR. I am coming to that in a second.

First of all, I want to know what you learned as to their seizure. Do you want this committee to believe that you did not find out what they seized?

Mr. FARRELL. Well, according to the newspapers they took a lot of cigar boxes and a lot of papers and things, but I don't think that they seized anything of gambling devices.

Senator O'CONOR. Didn't they? Didn't they get a lot of lottery tickets, paraphernalia?

Mr. FARRELL. Lottery tickets?

Senator O'CONOR. Yes.

Mr. FARRELL. No.

Senator O'CONOR. Race results, machines used for racing?

Mr. FARRELL. No, sir.

Senator O'CONOR. Well then, you were indicted, you and Wiseman.

Mr. FARRELL. Yes; I was indicted.

Senator O'CONOR. You were indicted?

Mr. FARRELL. Yes.

Senator O'CONOR. And charged with operating a gambling place?

Mr. FARRELL. That is right.

Senator O'CONOR. And still you say you do not know what was conducted in the place?

Mr. FARRELL. Yes; but the outcome of the case is that they found out I did not have anything to do with gambling.

Senator O'CONOR. Well now, did they? Did the case end——

Mr. FARRELL. I was dismissed.

Senator O'CONOR. Well, didn't the case end because of a technicality in regard to the searching seizure?

Mr. FARRELL. Technicality?

Senator O'CONOR. Yes.

Mr. FARRELL. That is what I have been trying to say here about technicality. If I am guilty I was guilty; if I am not guilty, I am not guilty.

Senator O'CONOR. Well, the truth is that you did not stand trial on the merits of the case.

Mr. FARRELL. That is——

Senator O'CONOR. The indictment was quashed because of some technical point, wasn't that correct?

Mr. FARRELL. No; they found out that I was innocent, that they made a mistake in arresting me.

Senator O'CONOR. Where did you then set up operations?

Mr. FARRELL. I didn't—I never set up operations in gambling in the city of Des Moines at no time.

Senator O'CONOR. I did not say gambling. I said where did you set up the operations of the Sports Arcade after the raid? Did you open a place over at 415½ Locust Street?

Mr. FARRELL. I didn't open no place there.

Senator O'CONOR. Who did?

Mr. FARRELL. I will have to ask my lawyer about that.

Senator O'CONOR. You will have to ask your lawyer about that?

[Laughter.]

Senator TOBEY. Mr. Chairman, may I interrupt the proceedings to read a letter that I have just received?

Senator HUNT. You may.

Senator TOBEY. This is from 214 Lawrence Avenue, Lawrence, N. Y., March 23, 1951.

It is addressed to the United States Senate Investigating Committee, Washington, D. C., attention of Senator Tobey:

GENTLEMEN: Your committee's investigation of gambling and racketeering in New York City must have had a revealing effect on all citizens, all over the Nation, who have had the chance to listen to the interrogations of witnesses, especially those who have had the chance to watch the proceedings via television. There can be no doubt of the salutary effects that will ensue and I trust that similar investigations will be made wherever similar crimes may be found to flourish, especially under the protection of those who have been placed in high office to protect the citizenry.

I have heard individuals say that these investigations are very costly at the expense of taxpayers. To such I say that money spent for such investigations is money well spent and is for far better purposes than the billions that are spent in subsidizing other nations to fight against the evils that arise in them.

I am of Italian extraction, having landed in the United States, at the age of 16, on June 6, 1892, and under the then existing laws on naturalization I was privileged to become a citizen of the United States on January 8, 1898, without first having declared my intention, and the oath of allegiance that I then took to support and protect the Constitution of the United States against all enemies, foreign and domestic, has remained a living thing for me, and the words "foreign and domestic" became of the most importance as I listened to the answers made by those your committee investigated, who have had that rare privilege of becoming naturalized citizens and enjoyed all the benefits under the protection of the Constitution which they swore to uphold and protect but which they sabotaged instead. I say this because I have become convinced that the domestic enemies are, by far, the deadlier. I am reminded of a saying: "God protect me from my friends for, from my enemies, I will protect myself." Your investigation has brought to light the rotten part that the so-called American citizens in high office or out of office do take to desecrate the laws of America and which laws are enacted to be respected by all citizens. I deplore the fact that so many of Italian extraction have been found to have taken a part in these crimes and thus became traitors to their oath of allegiance, if naturalized, and brought dishonor to their land of nativity, but, as I see it, it is the result of hyphenated citizenship to which politicians cater so much so as to obtain votes. If only political clubs composed of hyphenated citizens could be curbed. Then politicians would not have to live up to promises made to racketeers who usually are found to control the hyphenated citizens and appointments to important offices would be made on merit and not to men like the person in Hoboken who was made commissioner of public safety and who divided up the city into gambling sections to favored racketeers for, perhaps, a price. May God bless each one of the committee and every individual who has cooperated in making the investigation a valued success.

Sincerely yours,

VINCENT ZAVATT.

I thought a letter like that, referring to the work of the committee, by a naturalized citizen, is a wholesome thing to read into the record.

Senator HUNT. Counsel, will you proceed?

Mr. RICE. Do you live in a private home?

Mr. FARRELL. Yes, sir.

Mr. RICE. Who lives there with you?

Mr. FARRELL. My wife and two children.

Mr. RICE. And those are the only people who live there?

Mr. FARRELL. No; there is a little girl there that stays with us.

Mr. RICE. A little girl? Do you have a telephone there?

Mr. FARRELL. Yes, sir.

Mr. RICE. What is the number?

Mr. FARRELL. 25937.

Mr. RICE. 25937?

Mr. FARRELL. Yes, sir.

Mr. RICE. That is your home phone?

Mr. FARRELL. Yes, sir.

Mr. RICE. Do you know a man by the name of Ellsworth?

Mr. FARRELL. Ellsworth?

Mr. RICE. Yes.

Mr. FARRELL. The name is not familiar.

Mr. RICE. You do not know Ellsworth?

Mr. FARRELL. Not right now.

Mr. RICE. All right, sir. How about a fellow by the name of Kitts?

Mr. FARRELL. Well, I don't know him. I mean, I have seen him a couple or three times.

Mr. RICE. What is his name?

Mr. FARRELL. Kenneth Kitts.

Mr. RICE. And you have seen him a couple of times?

Mr. FARRELL. Yes.

Mr. RICE. And what is Kitts business?

Mr. FARRELL. I don't know.

Mr. RICE. You do not know?

Mr. FARRELL. No.

Mr. RICE. Well, tell us about those times that you saw him. When was the first time you saw him?

Mr. FARRELL. The first time I saw him was when he called for me—it was in the night club, and that is where I seen him.

Mr. RICE. You saw him in a night club?

Mr. FARRELL. Yes.

Mr. RICE. Where?

Mr. FARRELL. Out in Omaha; I forget the name of the place.

Mr. RICE. Out in Omaha?

Mr. FARRELL. Yes, sir.

Mr. RICE. Is that his home?

Mr. FARRELL. I think it is; I don't know him.

Mr. RICE. You do not know the man?

Mr. FARRELL. I just saw him two or three times.

Mr. RICE. You just saw him two or three times?

Mr. FARRELL. Yes, sir.

Mr. RICE. The first time you saw him in a night club. What was the occasion, what were the circumstances?

Mr. FARRELL. I don't remember.

Mr. RICE. Was he introduced to you?

Mr. FARRELL. I don't remember, to tell you the truth.

Mr. RICE. How do you remember that it happened?

Mr. FARRELL. It was not important.

Mr. RICE. Yes, it is.

Mr. FARRELL. If it was important I would have remembered these things.

Mr. RICE. You have met him. Who was he? Where was he from? What was the conversation?

Mr. FARRELL. There was no conversation.

Mr. RICE. No conversation?

Mr. FARRELL. That is right.

Mr. RICE. Just met him?

Mr. FARRELL. That is right.

Mr. RICE. Kenneth Kitts? When was the next time you met him?

Mr. FARRELL. I don't remember.

Mr. RICE. Can you fix the time that you first met him in a night club in Omaha?

Mr. FARRELL. No.

Mr. RICE. About when was it? Was it 10 years ago?

Mr. FARRELL. No; I would not say that.

Mr. RICE. Was it 5 years ago?

Mr. FARRELL. About 5, 6 years ago.

Mr. RICE. What night club was it?

Mr. FARRELL. I don't remember; it was not important to me.

Mr. RICE. Yes. Was it more than 5 years ago?

Mr. FARRELL. No.

Mr. RICE. How old a man is Kenneth Kitts?

Mr. FARRELL. I wouldn't—

Mr. RICE. Approximately?

Mr. FARRELL. I couldn't tell you.

Mr. RICE. What does he look like? You do not know?

Mr. FARRELL. I couldn't—well, he is a tall fellow.

Mr. RICE. Tall fellow?

Mr. FARRELL. Yes.

Mr. RICE. What business is he in?

Mr. FARRELL. I couldn't tell you.

Mr. RICE. After the time of the night club, when was the next time you saw Kenneth Kitts? You do not remember? Do you remember where it was?

Mr. FARRELL. No.

Mr. RICE. All right, sir.

You say you saw him about three times? When was the last time you saw him?

Mr. FARRELL. I don't remember that; I couldn't tell you.

Mr. RICE. You do not remember the last time. Have you seen him in the last 3 months?

Mr. FARRELL. No.

Mr. RICE. Have you talked to him in the last 3 months?

Mr. FARRELL. No.

Mr. RICE. Are you sure about that?

Mr. FARRELL. Positive.

Mr. RICE. Have you seen him since Christmas of 1950?

Mr. FARRELL. No.

Mr. RICE. You are sure about that?

Mr. FARRELL. Yes.

Mr. RICE. Tell us the story. Who is Kitts? Tell us what you know about him.

Mr. FARRELL. I couldn't tell you nothing about him because I don't know him.

Mr. RICE. Did you ever talk to him on the telephone?

Mr. FARRELL. I don't remember whether I ever did or not.

Mr. RICE. Now, wait a minute. Do a little thinking. Did you ever talk to Kitts on the telephone?

Mr. FARRELL. I don't remember if I did or I didn't.

Mr. RICE. You do not remember?

Mr. Chairman, I would like to have the Chair admonish the witness that if he answers he does not remember when, as a matter of fact, he does, it can constitute a contempt of the Senate.

Mr. FARRELL. Why don't you remind me of it?

Mr. RICE. I am telling you that if you say you do not remember when you do remember, it will constitute or can constitute a contempt of the Senate.

Mr. FARRELL. I don't remember talking to him on the telephone.

Mr. RICE. All right.

Will you say you have never talked to him on the telephone?

Mr. FARRELL. That I have never talked to him on the telephone?

Mr. RICE. Yes.

Mr. FARRELL. I wouldn't say that.

Mr. RICE. Have you seen him in person in the last 3 months?

Mr. FARRELL. No, sir.

Mr. RICE. You are sure about that?

Mr. FARRELL. Yes, sir.

Mr. RICE. Absolutely sure?

Mr. FARRELL. Definitely.

Mr. RICE. No question about that?

Mr. FARRELL. No question about that.

Mr. RICE. How about the telephone, have you talked to him on the telephone?

Mr. FARRELL. No, sir.

Mr. RICE. You have not talked to him? You are absolutely sure about that?

Mr. FARRELL. That is right.

Mr. RICE. Have you talked to his wife in the last 3 months?

Mr. FARRELL. The last 3 months?

Mr. RICE. Yes.

Mr. FARRELL. Yes; I talked to his wife.

Mr. RICE. And you talked to his wife?

Mr. FARRELL. Yes.

Mr. RICE. What was that about and where was that?

Mr. FARRELL. Well, she came to see me and she wanted to know if I could be of any help to him. He was in trouble.

Mr. RICE. Yes, sir.

Mr. FARRELL. So I said I cannot be of any help to him in any way; that I got myself involved trying to help someone before, and that I couldn't do anything for him, and I just backed away.

Mr. RICE. All right, sir. Had you met his wife before that?

Mr. FARRELL. Before that?

Mr. RICE. Yes.

Mr. FARRELL. I think I met her with him, yes.

Mr. RICE. Where?

Mr. FARRELL. That was that time about 4 or 5 years ago.

Mr. RICE. At the night club?

Mr. FARRELL. That is right.

Mr. RICE. And that is the only time?

Mr. FARRELL. That is right.

Mr. RICE. Now then, when did she come to you?

Mr. FARRELL. Well, just as soon as he got into trouble.

Mr. RICE. What trouble was he in?

Mr. FARRELL. He got in trouble robbing a bank.

Mr. RICE. Yes. He robbed a bank, did he not?

Mr. FARRELL. That is right. [Laughter.]

That was one time, I mean, I didn't involve myself, you see.

Mr. RICE. Yes.

All right, sir. Now, when was this that she came to you about his robbing a bank?

Mr. FARRELL. Just—right then when he was arrested; when he was apprehended.

Mr. RICE. Kind of recently, was it not?

Mr. FARRELL. Yes.

Mr. RICE. In the last 2 or 3 months?

Now, tell us what she said to you. Where was it, in your house? Did she come to your house?

Mr. FARRELL. I think she came to my house.

Mr. RICE. What did she say?

Mr. FARRELL. She asked me if I could help him, if I knew anybody, if I could see anybody; if I could get an attorney for him.

Mr. RICE. Or if you could put the fix in.

Mr. FARRELL. No. We have got a city manager plan over there that is working real good.

Mr. RICE. Yes, but he was not in your city; he was in Cedar Rapids.

Mr. FARRELL. Oh.

Mr. RICE. He was locked up in Cedar Rapids.

Mr. FARRELL. I don't know anybody in Cedar Rapids. I would not even talk to her about the case. We sat down and she started talking to me, and fixed a little food for her, and that was the size of it. I told her that I would definitely not involve myself.

Mr. RICE. That you could not do anything?

Mr. FARRELL. That is right.

Mr. RICE. All right.

Now, then, did she leave?

Mr. FARRELL. Yes.

Mr. RICE. Did you have any further contact with her?

Mr. FARRELL. Yes. Then she come back and she asked me if I could get some food for him, because in the county jail—to get some food into the county jail because they were not feeding him, and I says that this sheriff up there is pretty strict, and I says I know that he would not allow it, and that was it.

Mr. RICE. Yes.

Might I add here for the record, Mr. Chairman, that Kenneth Kitts was arrested and is under indictment for the robbery of the Lawrence State Bank on November 3, and under indictment for robbery of four South Dakota banks, and he faces prosecution of escaping from the Linn County jail at Cedar Rapids, Iowa, last January 22, that is January 22, 1951, this year.

Now, sir, she asked if you could get some food, you say?

Mr. FARRELL. Yes.

Mr. RICE. What did you do then?

Mr. FARRELL. Well, I just told her that I couldn't get no food in; that the sheriff of Polk County is very, very strict, and I just couldn't do it.

Mr. RICE. Yes.

Now, why was she coming to you for help? Why did she come to you, in fact?

Mr. FARRELL. You know, that is funny, I don't know why. [Laughter.]

Mr. RICE. It is not because you helped to get the Gargottas out; is that it?

Mr. FARRELL. No, I don't think she knew anything about that.

Mr. RICE. You do not think she knew anything about that? What did she say? Why did she select you, a beer distributor, and not in the Sports Arcade? Why did she select you, a beer man to get her husband out of jail for bank robbery?

Mr. FARRELL. I did not help him.

Mr. RICE. Why did she select you? I am asking you that.

Mr. FARRELL. That I don't know.

Mr. RICE. What did she tell you?

Mr. FARRELL. Well, he was in the jail in Des Moines, Iowa.

Mr. RICE. In Cedar Rapids, was it not?

Mr. FARRELL. No; he was in jail in Des Moines, Iowa, in Des Moines, in the Polk County Jailhouse.

Mr. RICE. He was locked up there?

Mr. FARRELL. That is right; and she came in there, and the first thing she asked me if I could help him out, and I told her right out that I cannot do a thing for him, that I—then she asked me if I could get a lawyer for him, and I says, no, there is no lawyer that I could recommend to her in the city of Des Moines, because I didn't want to become involved, and I made it very, very plain. I says now, I says, "I don't want you to feel hurt but there is no help that I could offer you."

Then she came back and she asked me if I could get food into him at Polk County Jailhouse at Des Moines, and I said absolutely not. The sheriff of Polk County will not allow any fellow—

Mr. RICE. Let us see if we can fix the chronology of this, the time. When was he first locked up that you know about, that she first came to you? Where was he locked up in Cedar Rapids?

Mr. FARRELL. When she came to me he was locked up in Des Moines.

Mr. RICE. He was in Des Moines?

Mr. FARRELL. That is right.

Mr. RICE. How did he get out of there?

Mr. FARRELL. How did he get out of there?

Mr. RICE. Yes.

Mr. FARRELL. They must have transferred him.

Mr. RICE. What did they do, transfer him to Cedar Rapids?

Mr. FARRELL. I do not know. I don't know whether Cedar Rapids—because after that second visit from her, why, I refused to get food to him, why, I didn't—I just lost track.

Mr. RICE. Now, at the time he was in the Des Moines jail, was he locked up there for escaping from Cedar Rapids?

Mr. FARRELL. No, no; that was before his escape.

Mr. RICE. That was before; that is what I want to straighten out.

Mr. FARRELL. Yes.

Mr. RICE. He was first in the Des Moines jail; and about when was that?

Mr. FARRELL. That is right; I couldn't exactly tell you. If you could tell me—when he was arrested for the robbery, they brought him right to Des Moines, the way I understand.

Mr. RICE. They brought him to Des Moines?

Mr. FARRELL. Yes, sir.

Mr. RICE. And they put him in jail there?

Mr. FARRELL. They put him in jail there and kept him in jail for a month.

Mr. RICE. Yes.

Mr. FARRELL. From there I don't know where he went.

Mr. RICE. On January 23 he escaped from Cedar Rapids. How did he get up there?

Mr. FARRELL. How did he get up there?

Mr. RICE. From the jail, up there?

Mr. FARRELL. From Cedar Rapids?

Mr. RICE. Yes.

Mr. FARRELL. You will have to ask the Federal authorities; I don't know.

Mr. RICE. In other words, they transferred him from Des Moines to Cedar Rapids?

Mr. FARRELL. Yes, sir.

Mr. RICE. As far as you know, and he escaped on the 23d of January?

Mr. FARRELL. Yes; I read that.

Mr. RICE. Where is he now?

Mr. FARRELL. Where is he now?

Mr. RICE. Yes.

Mr. FARRELL. According to the papers he is in jail.

Mr. RICE. In Omaha?

Mr. FARRELL. According to the papers.

Mr. RICE. They located him and they locked him up, and he is now in Omaha?

Mr. FARRELL. Yes.

Mr. RICE. All right, sir.

Before his escape in Cedar Rapids—

Mr. FARRELL. Yes.

Mr. RICE (continuing). Did you have a conversation with him at all? Did you go to visit him?

Mr. FARRELL. No.

Mr. RICE. You are sure about that?

Mr. FARRELL. Positive.

Mr. RICE. But you did talk with Mrs. Kitts?

Mr. FARRELL. Not when he was in Cedar Rapids, I didn't.

Mr. RICE. You talked with her when he was in Des Moines.

Mr. FARRELL. When he was in Des Moines.

Mr. RICE. All right, sir.

Now, then, immediately following his escape to Cedar Rapids, someone gave him \$200, and a suit of clothes in Des Moines. Do you know anything about that?

Mr. FARRELL. It wasn't me.

Mr. RICE. It was not you?

Mr. FARRELL. No, sir.

Mr. RICE. You are definitely sure about that?

Mr. FARRELL. I am under oath.

Mr. RICE. You are under oath.

Mr. FARRELL. Yes, sir.

Mr. RICE. All right, sir.

Did you ever have any occasion to telephone to Mrs. Kitts in connection with this situation?

Mr. FARRELL. Did I telephone her?

Mr. RICE. Yes.

Mr. FARRELL. I would not say that I did; I would not say that I didn't. I think that, if I can remember right, the lawyer, one of her lawyers, his lawyers, from Omaha called me and asked me if I could arrange for the food; that was at that time, and that was when she, I think she left a number for me to call back, and I think I did call her back.

Mr. RICE. I think you did on January 5.

Mr. FARRELL. I think I did call her back.

Mr. RICE. Yes. What was that conversation about?

Mr. FARRELL. Just that I felt awfully sorry for her and that I could not help her out; I wouldn't help her out.

Mr. RICE. You picked up the long-distance check on that, did you not?

Mr. FARRELL. I picked up a lot of long-distance checks, you know.

Mr. RICE. Now, then, right after that you called Fred Ossona?

Mr. FARRELL. I called who?

Mr. RICE. Ossona.

Mr. FARRELL. Fred Ossona?

Mr. RICE. Yes.

Mr. FARRELL. Yes; I might have called Fred. I called Fred two or three times a year.

Mr. RICE. Did that have any connection with that?

Mr. FARRELL. Oh, no, Fred would not handle that kind of a case, anyway.

Mr. RICE. Well, sir, I still do not think we are satisfied with your explanation as to why she came to you, why she picked you up, if you had only met them in a night club some years before, so far in the past you cannot even remember, and when her husband got in jail she came to see you. Why?

Mr. FARRELL. Why?

Mr. RICE. Why?

Mr. FARRELL. The same reason as why I can't understand why I am here. I can't understand it.

Mr. RICE. You have quite a few question marks, I would say. Were you particularly friendly with any public officials or police officers in Des Moines?

Mr. FARRELL. Public officials?

Mr. RICE. Well, for instance, "Snus" Miller, former chief of police?

Mr. FARRELL. Was I friendly with him?

Mr. RICE. Yes.

Mr. FARRELL. Not any friendlier than anybody else.

Mr. RICE. Do you know him?

Mr. FARRELL. That is a friendly little town.

Mr. RICE. A friendly little town?

Mr. FARRELL. Yes; I know him.

Mr. RICE. Now, then, not only friendly in Des Moines, but you used to go over and meet him in Indianola, too, did you not?

Mr. FARRELL. That is my press agent, he keeps writing that stuff in the paper, you know. I mean, he wrote that I met him in Indianola, that is——

Mr. RICE. Do you want to deny that you have been with "Snus" Miller in Indianola?

Mr. FARRELL. That was during election sometime?

Mr. RICE. Yes. Do you want to deny that you have been in Indianola with "Snus" Miller?

Mr. FARRELL. Do I want to deny?

Mr. RICE. Yes.

Mr. FARRELL. At the time that that story was written in the paper; yes.

Mr. RICE. No; let us deny it right here, now. I am asking you the question, will you deny that you have been in Indianola with "Snus" Miller?

Mr. FARRELL. No; I have—not met him there, I bumped into him there.

Mr. RICE. You bumped into him?

Mr. FARRELL. Yes, sure; Indianola is not far from Des Moines. There is nothing wrong in that.

Mr. RICE. That is a nice, quiet place to talk to chiefs of police, and it is not in Des Moines. Were you ever in the home of the safety commissioner there at Des Moines, the former safety commissioner?

Mr. FARRELL. Which one?

Mr. RICE. Bennett.

Mr. FARRELL. Have I ever been in his home?

Mr. RICE. Yes.

Mr. FARRELL. Yes; I have been in his home.

Mr. RICE. What was that in connection with?

Mr. FARRELL. Nothing.

Mr. RICE. Nothing?

Mr. FARRELL. Nothing at all.

Mr. RICE. Just dropped by to say "hello"?

Mr. FARRELL. Could be.

Mr. RICE. We are talking about Myron J. Bennett, in his home.

Mr. FARRELL. That is right.

Mr. RICE. Transacted no business with him?

Mr. FARRELL. No; just I am in the beer business, he was in the radio business.

Mr. RICE. He would not be of any help to assist with Gargotta, Kitts, or anybody like that?

Mr. FARRELL. No.

Mr. RICE. Did "Snus" Miller run for sheriff out there in Polk County?

Mr. FARRELL. Yes; he did.

Mr. RICE. And did you support him in his campaign?

Mr. FARRELL. No, sir; I did not.

Mr. RICE. Did you not help him in his campaign?

Mr. FARRELL. Did I help him?

Mr. RICE. Yes.

Mr. FARRELL. No; I was neutral—I was neutral.

Mr. RICE. You were neutral?

Mr. FARRELL. Yes, sir.

Mr. RICE. And he was defeated—when was that, 1948?

Mr. FARRELL. No; this was just last year.

Mr. RICE. Just recently, just defeated?

Mr. FARRELL. Yes.

Mr. RICE. How about Castaline; do you know Paul Castaline?

Mr. FARRELL. Yes.

Mr. RICE. Who is he?

Mr. FARRELL. Very, very well.

Mr. RICE. Who is he—who is he?

Mr. FARRELL. He is a credit to any police department in the whole United States of America.

Mr. RICE. He is a credit?

Mr. FARRELL. Yes.

Mr. RICE. And what job does he have?

Mr. FARRELL. He was the former chief of the detectives, and he retired.

Mr. RICE. While he was chief of detectives——

Mr. FARRELL. Yes.

Mr. RICE. Did he ever go with you to Chicago on trips?

Mr. FARRELL. Did he go with me to Chicago on trips?

Mr. RICE. Yes.

Mr. FARRELL. Not that I recall.

Mr. RICE. Well, think about it a little bit. Did you ever go to Chicago with him?

Mr. FARRELL. Well, I might have had a little vacation or something like that, nothing wrong.

Mr. RICE. Nothing wrong?

Mr. FARRELL. No; that is right.

Mr. RICE. Like going over to see a little world series—guess they haven't had it lately——

Mr. FARRELL. It could be possible.

Mr. RICE. Or an all-star game?

Mr. FARRELL. After all, we—just because they are policemen, I don't want to treat them like——

Mr. RICE. You went along together, did you not—yes, did I hear you say "Yes"?

Mr. FARRELL. All together?

Mr. RICE. That you went with Castaline?

Mr. FARRELL. Not with him. Could be that I—maybe I went with him—I don't remember; it has been a long time.

Mr. RICE. Very possible?

Mr. FARRELL. I haven't seen——

Mr. RICE. At least you won't deny that you went with him?

Mr. FARRELL. I haven't seen him, Paul, in about a year and a half. No; I won't deny it. I mean I think it was an honor going with him.

Mr. RICE. Have you ever been in Babe Bisigano's night club?

Mr. FARRELL. The finest night club in Iowa.

Mr. RICE. The finest night club in Iowa?

Mr. FARRELL. Yes.

Mr. RICE. Did you ever meet there with Captain Dunnigan and Detective Joe Boganno, and Charlie Andreano and Tony Andreano at Bisigano's night club, all of those other police officers?

Mr. FARRELL. Ever meet there, you say?

Mr. RICE. Ever see them there?

Mr. FARRELL. Only when they are on duty.

Mr. RICE. Only when on duty?

Mr. FARRELL. I mean when they are working on duty; yes, sir.

Mr. RICE. You saw them there?

Mr. FARRELL. Did I see them there?

Mr. RICE. In Bisigano's and visited with them, talked with them?

Mr. FARRELL. I have visited with them.

Mr. RICE. Yes.

Mr. FARRELL. What am I supposed to do, ignore people?

Mr. RICE. Deny it if you did not.

Mr. FARRELL. I say, "Hello" to them, and talk to them, and when they come up there on their duty, in other words, making their rounds, I know those boys.

Mr. RICE. Yes; all right. You number them among your friends or did, Castaline and "Snus" Miller, and the Adreanos, and Captain Dunnigan, all of them on the police force, and the safety commissioner; do you suppose that would have had any effect on why people come to you to see if they can get out of jail, people, friends of Gargottas and Kitts?

Mr. FARRELL. No; I think you are glamorizing me a little bit too much there.

Mr. RICE. Have you ever been arrested?

Mr. FARRELL. Have I ever been arrested?

Mr. RICE. Yes.

Mr. FARRELL. I have been picked up; yes.

Mr. RICE. And tell us about the first time you were picked up.

Mr. FARRELL. Oh, I think it was on Halloween night.

Mr. RICE. All right. I will read you a few notes here, and if there is anything wrong in here, correct me.

Mr. FARRELL. Yes.

Mr. RICE. I am reading from the criminal record of Lew Farrell, alias Luigi Thomas Fratto, Louis Farato, alias Cockeyed Louie, alias Lew Farrelli, alias—

Mr. FARRELL. Who wrote that for you?

Mr. RICE. Did you ever use the name E. F. Martin?

Mr. FARRELL. Who wrote that for you?

Mr. RICE. Did you ever use the name E. F. Martin?

Mr. FARRELL. No, I didn't.

Mr. RICE. Are you sure of that?

Mr. FARRELL. I have never been known other than Lew Farrell or Fratto.

Mr. RICE. What is your true name again?

Mr. FARRELL. Fratto is my true name.

Mr. RICE. Is your name Luigi?

Mr. FARRELL. Luigi?

Mr. RICE. Luigi.

Mr. FARRELL. Somebody has written a movie script there.

Mr. RICE. On February 10, 1931, Louis Fratto, that is your name, is it not?

Mr. FARRELL. Yes, sir.

Mr. RICE. Arrested for driving while drunk.

Mr. FARRELL. What was that there, in 19-what?

Mr. RICE. 1931.

Mr. FARRELL. How many years ago was that, 20 years ago?

Mr. RICE. You can count, you can fix up your income tax.

Mr. FARRELL. I haven't a—I didn't—I don't have a drink until I was about 30 years old, was the first time I ever took a drink in my life.

Mr. RICE. You say you were never arrested in—

Mr. FARRELL. For drunken driving, that is right.

Mr. RICE. All right. Now then, on February 24, just a couple of weeks later—

Mr. FARRELL. Yes. What happened to that case, the drunken driving case?

Mr. RICE. With malicious mischief. Were you arrested for that?

Mr. FARRELL. What does that mean?

Mr. RICE. Don't you know?

Mr. FARRELL. No.

Mr. RICE. Will you deny you were arrested—

Mr. FARRELL. On what date?

Mr. RICE. In Chicago at that time and for that charge?

Mr. FARRELL. What date was that?

Mr. RICE. February 24, 1931.

Mr. FARRELL. For malicious mischief?

Mr. RICE. Yes.

Mr. FARRELL. I don't remember it.

Mr. RICE. You don't remember?

Mr. FARRELL. No.

Mr. RICE. But you will not deny it?

Mr. FARRELL. I don't even know what malicious mischief means.

Mr. RICE. All right. Now then on October 13, 1932, Louis Fratto arrested for disorderly conduct, discharged without prosecution. Do you remember that?

Mr. FARRELL. What happened in the other two charges? You give me the results of that, you don't give me the others.

Mr. RICE. You do not remember—no use talking about it—you were not the man, you say.

Mr. FARRELL. Well, it is so long ago. I don't deny never been arrested, but I don't remember being drunken driving.

Mr. RICE. Tell us a few times when you were arrested.

Mr. FARRELL. I mean—you see, when—I don't know, in Chicago, chances are, maybe the police department works very efficiently, and as soon as you walked down the street everybody is held for investigation and then, you know, especially if you wear nice clothes or something—

Mr. RICE. Senator, I am just going to read the record, in view of the attitude of the witness.

Senator HUNT. Just for the record, if the counsel will read the record as reported to us, the criminal record, without comment by the witness.

Mr. RICE. The official record which the committee has received, Senator, in which various aliases are set forth, used by this individual,

that on September 27, 1933, he was indicted as Louis Fratto for violation of section 317, title 18, United States Code, which is the postal laws. He was charged with possession of matters stolen from the mail in connection with United States Criminal Docket No. 27592 in case of *United States of America v. Samuel Levick et al.*, United States District Court, Northern District of Illinois, Eastern Division.

On November 14, 1933, he was arrested in the above-mentioned case. This case was later dismissed upon the authority of the Attorney General of the United States on February 14, 1936.

Now I have recited the arrest on February 10, 1931.

Do you remember that arrest on the postal laws?

Mr. FARRELL. Yes; I was picked up.

Mr. RICE. That is what you—

Mr. FARRELL. Upon it, but it wasn't—it was me that was picked up on it, but there was nothing to it.

Mr. RICE. A bum rap?

Mr. FARRELL. What happened in the charge?

Mr. RICE. All right. On October 30, 1932, Louis Fratto, disorderly conduct, discharged without prosecution. This was an arrest in Chicago, another Chicago arrest.

March 29, 1933, Louie Fratto, alias E. F. Martin, defrauding an innkeeper, discharged.

On May 14, 1933, Louis Fratto, again arrested in Chicago, disorderly conduct, discharged following a jury trial.

On May 26, 1934, Louie Fratto, arrested for vagrancy, case nolle prossed.

From the bureau of identification, Chicago, there are other pick-ups.

On August 1, 1935, a general pick-up.

On July 24, 1936, Louis Fratto was picked up for investigation.

On November 15, 1936, Fratto was again picked up in a general pick-up.

On October 3, 1939, Fratto was picked up for investigation, and released on a writ.

On March 14, 1936, Fratto, alias Cock-eyed Louis, was arrested for disorderly conduct. The record shows no disposition.

Again on December 30, 1936, the same year, same charge, picked up for investigation. No disposition shown.

On June 23, 1931, Louis Fratto, arrested for carrying of concealed weapons, found guilty by the court. Also larceny by bailee. I do not know what that means. And it is further indicated there was no prosecution on that charge. Apparently, the record indicates that there was no prosecution on the larceny charge, but he was convicted for carrying of concealed weapon. Do you remember that arrest in Chicago?

Mr. FARRELL. That shouldn't appear that way, because at that time I was custodian working out of the bailiffs' office.

Mr. RICE. Out of the bailiff's office?

Mr. FARRELL. That is right, out the the bailiff's office in Chicago, and when I was arrested with the weapon, why I didn't have my credentials on me.

Mr. RICE. Were you found guilty?

Mr. FARRELL. Found guilty?

Mr. RICE. Yes.

Mr. FARRELL. I don't remember if I was or not.

Mr. RICE. The record says that you were found guilty.

Mr. FARRELL. What year is that?

Mr. RICE. Do you want to dispute it?

Mr. FARRELL. 1934?

Mr. RICE. Yes.

Mr. FARRELL. Why don't you tell me something from—I mean, from 1940 on—why go back so far? I mean, after all, I have got a wife and two children. You are trying to dig up things.

Mr. RICE. And a criminal record.

Mr. FARRELL. Senator Tobey here—

Senator HUNT. Will counsel proceed, please, to read the record, and can we not finish the record without a discussion of it?

Mr. RICE. All right. On June 11, 1927, Fratto was arrested for violation of section 2655, Chicago Municipal Code, disorderly conduct, found guilty and paid a fine of \$1 and costs.

On January 28, 1926, Lewis Fratto was arrested in Chicago for petty larceny, entered a plea of guilty and received a sentence of 1 year which was probated or he was put on probation.

Mr. FARRELL. That is a lie.

Mr. RICE. On February 24, 1929, Louis Fratto, was arrested for disorderly conduct and found guilty.

Now from the Bureau of Criminal Investigation and Identification Division, State of Iowa, Des Moines, we received the following record:

On August 13, 1939, Lew Farrell, arrested by the sheriff at Racine, Wis., on charge of being a material witness. He was released on bond.

On September 13, 1939, Lou Farrelli, was arrested for investigation, released without further charges being placed against him.

Now then, we had an arrest on October 7, 1942, in connection with this suit brought by Gladys Rand for threat, intimidation, violence to force plaintiff, Gladys Rand, to pay him money. Result of that the restraining order was issued.

On May 14, 1948, the district court of Polk County, Iowa, issued a bench warrant for arrest of Lew Farrell for conspiracy operating a gambling house. It was dismissed. I believe that was in connection with the Sports Arcade thing.

Do you want to make any comment about those?

Mr. FARRELL. Yes, sir. It seems to me like about three-fourths of that is nothing but perpetrated lies made up by somebody, absolutely.

Mr. RICE. Well—

Mr. FARRELL. I don't—

Mr. RICE. Mr. Chairman, I will submit copies of the photograph fingerprinting of the witness to support the charges filed, if there is any dispute about whether he is the man charged or not.

Mr. FARRELL. Then besides—

Mr. RICE. The record is, also, certified.

Mr. FARRELL. To bring up records from 1931, 1932, and you do not say nothing about from 1940, all the way up until the present time.

Mr. RICE. All right, sir.

Mr. FARRELL. Instead of helping somebody it seems to me like I am the victim of a lot of—

Mr. RICE. Yes, now, sir, you are the same man who at the present time holds a license to distribute beer in Iowa, is that right, a Federal license?

Mr. FARRELL. That seems to be the reason why I would say that all of this here stuff is coming up. A couple of beer distributors told me that they were going to see that I would not get my license.

Mr. RICE. Who were they?

Mr. FARRELL. I wished I knew who they were. I mean they didn't tell me, they have told people and, of course, I had a closed hearing on my basic permits on advice of my attorneys, but those records of all of those things that you have heard of the Higgins and of the Rands and of all of that stuff had a chance to come up to that hearing and testify and they did not testify and those records are available to you. And the hearing officer's recommendation is available to you, if you want them.

Mr. RICE. What was that recommendation?

Mr. FARRELL. What was that recommendation?

Mr. RICE. Yes.

Mr. FARRELL. Well, I could not tell you, it was 101 pages. So, I mean, I could not tell you just exactly.

Mr. RICE. I think the record shows that the recommendation was that you would be denied a permit.

Mr. FARRELL. I would live in conformity with the laws.

Mr. RICE. Yes.

Mr. FARRELL. That is what the recommendation was, would mean. All of these charges here, those people had the opportunity to come up there and face me, instead of telling you people behind the scenes and telling newspapermen behind the scenes and spreading a lot of fantastic lies and propaganda about me and building me up to the extent I wished they used some of that publicity to make a lover out of me, instead of an underworld character, you know.

Mr. RICE. All right, sir. Just to complete the record we want to make it perfectly clear that you will deny that you ever arranged to obtain wire service in Iowa or any other State?

Mr. FARRELL. That I ever arranged—yes—absolutely, I never arranged.

Mr. RICE. You never arranged?

Mr. FARRELL. I never arranged to make any wire service or get any wire service in Des Moines or any place else.

Mr. RICE. And had nothing to do with it?

Mr. FARRELL. That is right.

Mr. RICE. All right, sir.

That is all I have, sir.

Mr. FARRELL. Any wire service; that is right.

Senator HUNT. Do you have any announcements before recessing, Mr. Chairman?

The CHAIRMAN. Mr. Chairman, we have to get through or try to get through by 2:30. I wondered if we could not shorten up the testimony of the next witness and go on through and try to finish up.

Senator HUNT. Is it agreeable to the committee to take no recess and proceed with the other witnesses? Senator Wiley?

Senator WILEY. O. K.

Senator HUNT. Senator Tobey.

Senator TOBEY. If we send our lunch in, it will be.

Senator HUNT. The committee will stand in recess for 30 minutes.

(Whereupon at 12:30 p. m. the committee recessed, to reconvene at 1:15 p. m.)

AFTERNOON SESSION

Senator HUNT. The committee will come to order.

Before calling the witness to the chair, the acting chairman once again, and I hope I shall not have to repeat it, wishes to state that we do not want any demonstrations this afternoon during these hearings. Now, may I please ask you not to make any audible demonstration whatsoever. I am going also, if I may, to say to the two officers, will you please observe any violations of those instructions and I will ask you to remove from the hall anybody whom you feel is not following the instructions.

I would also ask the counsel this afternoon, if I may, to proceed as directly as possible with the witness, that we may complete our hearings by 2 o'clock.

The Chair calls to the witness chair Mr. Dwight E. Avis.

Mr. Avis, do you solemnly swear the testimony you are about to give this committee to be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. AVIS. I do, sir.

Senator HUNT. Counsel, will you proceed?

TESTIMONY OF DWIGHT E. AVIS, ASSISTANT DEPUTY COMMISSIONER, ALCOHOL TAX UNIT, TREASURY DEPARTMENT, WASHINGTON, D. C.

Mr. RICE. You have testified before the committee before, Mr. Avis?

Mr. AVIS. Yes; on two or three occasions.

Mr. RICE. You are associated with the Alcohol Tax Unit of the Treasury Department in what capacity?

Mr. AVIS. Assistant Deputy Commissioner in Charge of Enforcement.

Mr. RICE. In charge of enforcement?

Mr. AVIS. Yes, sir.

Mr. RICE. You have been present here this morning and heard the testimony of Lew Farrell. Is he a licensee under the Alcohol Tax Unit?

Mr. AVIS. Yes; he has a malt liquor dealer's permit as a wholesaler.

Mr. RICE. Yes.

Mr. AVIS. That is, he did have, and he has filed a new application.

Mr. RICE. Would you like to review for us very briefly the history of his previous application, its review and denial and subsequent granting; can you do that for us?

Mr. AVIS. I can, sir. You want me to go into the original permit?

Mr. RICE. Without going into detail, sir, just tells us briefly.

Mr. AVIS. He filed an application, I believe, originally in 1945 under the name of the Canadian Ace Co. The district supervisor issued or denied that permit. The matter was brought before the then Deputy Commissioner, Mr. Stewart Berkshire, on appeal, who, after hearing oral argument of counsel, rendered an order directing that the permit be issued and reversing the district supervisor. And, incidentally, in that connection if the committee considers it pertinent, I would like to put in the record Mr. Berkshire's explanation, which he made to the district supervisor at the time.

Mr. RICE. I think that is a little bit interesting.

Mr. AVIS. That he reversed, and I would like to place it in the record. I do not care to go into the detail of it without the committee desires it, but I would like to put Mr. Berkshire's written explanation made at the time.

Senator HUNT. It will be received and taken into the record at this point.

(The document referred to was received, marked "Exhibit No. 41," and will be found in the files of the committee.)

Mr. AVIS. In 1950, I guess in the latter part of 1950, Mr. Farrell, I think according to his testimony surrendered his old permit and filed a new application in line with the provisions of the Federal Alcohol Administration Act. Now, that application, the matter of contemplated denial was issued by the district supervisor in St. Paul. Counsel asked for a hearing. A hearing was had before a hearing examiner under the Administrative Procedure Act, and the hearing examiner recommended that the new application be granted. The district supervisor after reviewing the proceedings, the hearing, notified, I think, the early part of this month the applicant that he intended to deny the application, but under the Administrative Procedure Act an applicant has the opportunity of again coming in before the administering officer and asking for a further consideration of his case. And as I understand it, the applicant has done so, and the matter is still before the district supervisor, although he has served notice that he intends to deny the application.

Mr. RICE. But the matter is pending. But there has been notice served of a contemplated denial?

Mr. AVIS. Yes.

Mr. RICE. That is the status?

Mr. AVIS. Not only contemplated denial, but a hearing had on the merits of the contemplated denial and a further notice of denial.

Mr. RICE. Yes, sir.

Do you know, or the gentleman with you—who is he?

Mr. RUSSELL. W. A. Russell.

Mr. RICE. And you are the attorney?

Mr. RUSSELL. The attorney in the Alcoholic Tax Division of the chief counsel's office of the Bureau.

Mr. AVIS. In Washington.

Mr. RICE. Do either of you know whether Farrell was represented in any of the proceedings by counsel?

Mr. AVIS. He certainly was.

Mr. RICE. Do you know the identity of counsel; did it appear that Fred Ossona represented him at any time?

Mr. RUSSELL. I cannot answer that, sir. I am not familiar with the record in the new hearing. It has not come before us. It is still in the district supervisor's hands.

Mr. RICE. I have no further questions.

Senator HUNT. The witness is excused. Thank you very kindly for coming to give us your testimony.

Mr. Sydney A. Brodson? Do you solemnly swear that the testimony you are about to give this committee to be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BRODSON. I do.

Senator HUNT. Counsel will proceed.

TESTIMONY OF SYDNEY A. BRODSOY, MILWAUKEE, WIS.

Mr. RICE. What is your name, sir?

Mr. BRODSOY. Sydney A. Brodson.

Mr. RICE. Where were you born?

Mr. BRODSOY. Chicago, Ill.

Mr. RICE. And what year and what date?

Mr. BRODSOY. August 29, 1908.

Mr. RICE. 1908, and were you educated in Chicago?

Mr. BRODSOY. Through high school, yes. And then I went to the University of Illinois and later to the University of Wisconsin.

Mr. RICE. And did you receive a law degree?

Mr. BRODSOY. I did.

Mr. RICE. And are you a member of the bar of any State?

Mr. BRODSOY. I believe I am a member of the bar of both the State of Illinois and of the State of Wisconsin, although I do not practice.

Mr. RICE. You feel that you are licensed to practice in both Illinois and Wisconsin?

Mr. BRODSOY. I would say, "Yes."

Mr. RICE. But you say you do not practice?

Mr. BRODSOY. No.

Mr. RICE. What business are you in, Mr. Brodson?

Mr. BRODSOY. Well, I am in various businesses. I have an interest in the manufacturing business. I have an interest in a retail business. I have an interest in a vending business. And none of which are my chief source of revenue.

Mr. RICE. None of which are?

Mr. BRODSOY. Chief source of revenue.

Mr. RICE. Chief source of revenue?

Mr. BRODSOY. Betting on basketball and football games is my chief source of revenue.

Mr. RICE. You say your chief source of revenue is betting on basketball and football games. How about baseball games?

Mr. BRODSOY. Yes, that, also. I am sorry, baseball.

Mr. RICE. All right, sir. In connection with these other enterprises in which you have an interest what portion of your time would you say was spent pursuing those activities, and what portion in the wagering business, if we could call it that?

Mr. BRODSOY. I would guess it was about 20-80 in favor of the wagering.

Mr. RICE. So you spend approximately 80 percent of your time wagering?

Mr. BRODSOY. Right.

Mr. RICE. Now, sir, where do you make your headquarters or where do you operate from?

Mr. BRODSOY. Milwaukee, Wis.

Mr. RICE. And whereabouts in Milwaukee?

Mr. BRODSOY. At 952 North Twelfth Street.

Mr. RICE. And is that a business building?

Mr. BRODSOY. It is. I have an office there.

Mr. RICE. You have an office there?

Mr. BRODSOY. Yes.

Mr. RICE. And how much space does your office occupy there?

Mr. BRODSOY. Oh, a room; the average office room.

Mr. RICE. One room?

MR. BRODSON. It is actually—it is almost like an apartment in that it has a bathroom in conjunction with it and a small kitchen, but I would guess the room must be about 18 by about 20.

MR. RICE. Yes. And how many employees do you have there, Mr. Brodson?

MR. BRODSON. One.

MR. RICE. One employee?

MR. BRODSON. Yes.

MR. RICE. And what is his or her name?

MR. BRODSON. Theodore Gagliano.

MR. RICE. Theodore Gagliano?

MR. BRODSON. Yes.

MR. RICE. That is G-a-g-l-i-a-n-o?

MR. BRODSON. I believe that is correct.

MR. RICE. And is he employed on a salaried basis?

MR. BRODSON. No; he is not employed on a salaried basis. He receives 15 percent of the winnings that I attain at the end of the year.

MR. RICE. He receives 15 percent of the winnings?

MR. BRODSON. Yes.

MR. RICE. So that his activities are confined to the betting end of the business; he does not participate in the other enterprises?

MR. BRODSON. Yes. No, he does not.

MR. RICE. Do you always win?

MR. BRODSON. I wish I did. More often than I lose.

MR. RICE. Well, now, suppose that you do lose, does he participate in your losses?

MR. BRODSON. Yes.

MR. RICE. His arrangements are 15 percent?

MR. BRODSON. We have never had a loss, so we have never had the issue arise.

MR. RICE. You never have lost?

MR. BRODSON. No.

MR. RICE. So the arrangements, so far as you know, he would participate in the loss with you?

MR. BRODSON. I believe that is correct.

Senator O'CONOR. So that we may follow the course of the testimony, you mentioned that your specialty, so to speak, is betting on basketball and football games?

MR. BRODSON. Primarily basketball.

Senator O'CONOR. That is—

MR. BRODSON. Basketball, football, and baseball fill out the rest of the year.

Senator O'CONOR. Basketball is only for a portion of the year.

MR. BRODSON. About 4 months.

Senator O'CONOR. The only point of interest I had in that immediate connection is whether or not it is confined to collegiate or professional basketball?

MR. BRODSON. I do not engage in—I do not bet on any professional basketball.

Senator O'CONOR. Exclusively on the collegiate?

MR. BRODSON. Yes.

Senator WILEY. What is the function of Gagliano?

MR. BRODSON. Well, Gagliano has a number of functions. First of all, in my business, in order to determine how I am going to bet I am

obliged to subscribe to, approximately, 100 newspapers a day. We now have to get 100 newspapers, tear out the sport sheets and he reads the sports sheets in advance for me, underlining that information which he feels I should read and see in order to formulate my opinions as to whom I am going to bet on. That is one of his functions. Other functions, to answer the telephone.

Senator HUNT. Would you please sit a little closer to the microphone?

Mr. BRODSON. I am very sorry.

Senator WILEY. How long has he been with you?

Mr. BRODSON. I believe he came with me in April of 1949.

Senator WILEY. Where did he come from?

Mr. BRODSON. Where? He is a Milwaukee boy.

Senator WILEY. How old is he?

Mr. BRODSON. I would approximate that he is about 35 years old; in the thirties, let us put it that way.

Senator WILEY. Have you described fully what his functions are?

Mr. BRODSON. No; he also takes at the end of the day—he more or less acts as a bookkeeper—we tabulate all of the bets that we have made and then, of course, we have to determine whether we won or whether we lost and who owes us and whom we owe.

Senator WILEY. The two of you conduct this vast transaction?

Mr. BRODSON. Pardon me?

Senator WILEY. The two of you then do all of the business?

Mr. BRODSON. 95 percent of it.

Senator WILEY. Who does the other 5 percent?

Mr. BRODSON. Well, there is another individual whom I have known for, oh, a number of years, for the last 12 years, whom I met in the betting establishments around Milwaukee, and who I think is a very honest and sincere boy and he also helps in the formulating and in the reading of these newspapers. That is his only function. He is regularly employed elsewhere. And merely for any favors that he can do for me, such as going to the bank, such as—well, I don't know, whatever; he more or less performs whatever functions Teddy and I can't perform and he devotes probably a maximum of 1 hour a day. And I give him 5 percent of the winnings.

Senator O'CONNOR. Having in mind the expensive nature of the collecting of information, do you use it yourself exclusively or do you sell that to anybody?

Mr. BRODSON. I originally started with an idea of selling it and then I determined that if it was good enough for somebody to buy it, it was much more advisable for me to use it myself; if somebody was willing to pay me for it, obviously they must have thought it has value and that sort of bolstered my ego and I decided that instead of going and selling it I would use it myself. The only people who use my service are people whom I frequently use or ask to bet for me, because there are not sufficient channels.

Senator O'CONNOR. You do, though, maintain a service in that respect; do you?

Mr. BRODSON. No. I would not call it a service.

Senator O'CONNOR. Well, in other words—

Mr. BRODSON. In other words, I would call you and tell you that I would like to bet a certain amount of money on this particular team at this particular price. I ask you to move it for me. You do that

without any compensation from me, nor do I give you any compensation for it. The reason for your doing that is because Sydney Brodson—I do not mean to be egotistical—has a pretty good opinion and is known to win more than he loses and people are willing under those circumstances to act in my behalf, because if I bet X number of dollars they may bet half as much or twice as much. I have no knowledge of how much they bet.

Senator O'CONOR. There is no restriction on their betting as it might affect the odds or anything of that kind?

Mr. BRODSON. There is. You see, when I ask them to move I ask them to move at a particular price. Now if the price goes above that, I am not interested.

Senator O'CONOR. Very true. Over what period of time did you sell the information?

Mr. BRODSON. Oh, a very limited period of time. I was not successful in selling it, because there was already a very recognized selling service and they had a printing company in conjunction with it and I have had a number of offers from people who would like to buy this service, but I have never chosen to sell it.

Senator O'CONOR. Thank you.

Mr. RICE. Do you know Gagliano, your employee, under any other name?

Mr. BRODSON. I believe they shortened it to Gag, G-a-g.

Mr. RICE. Gag—they call him Teddy?

Mr. BRODSON. Teddy.

Mr. RICE. They call him Teddy Cap sometimes?

Mr. BRODSON. Not to my knowledge.

Mr. RICE. Does he have a criminal record, to your knowledge?

Mr. BRODSON. Not to my knowledge.

Mr. RICE. How about Tarashansky?

Mr. BRODSON. Tarashansky is the other individual I told you about, who had 5 percent.

Mr. RICE. Is he located in the office?

Mr. BRODSON. No.

Mr. RICE. How does he participate?

Mr. BRODSON. I told you. You see, in the morning, during the basketball season, for instance, basketball being very much unlike football, in that there are games every night, with the exception of Sunday, and we have these newspapers come in. There are approximately 100 per day coming from all parts of the United States, and as you can well imagine, that is quite a chore to read a hundred newspapers, even if you only read the sports sheets.

Now, he aids me more or less underlining the information that he feels will be of interest to me.

Mr. Tarashansky is legitimately employed, I believe, with Crowell-Collier, in the capacity of a collector for the magazine publication that he sells or others sell.

Mr. RICE. You say he is legitimately employed?

Mr. BRODSON. Well, I use that advisedly.

Mr. RICE. How about Gagliano; is he legitimately employed?

Mr. BRODSON. I say "yes."

Mr. RICE. All right. How long have you been in the wagering business, approximately?

Mr. BRODSON. How long have I been in it exclusively, is that what you mean?

Mr. RICE. Yes. Well, yes.

Mr. BRODSON. I would guess about 7 years.

Mr. RICE. About 7 years?

Mr. BRODSON. Yes.

Mr. RICE. How did it happen that you got into the business?

Mr. BRODSON. Well, I suppose I could refer you to the Milwaukee Journal, which had a very good article on the subject.

I was a lawyer, and I guess in terms of financial return a poor one, and I had always been interested in sports from the time I was a youngster, and I followed college sports very, very regularly.

My first introduction to the betting game was in the form of these cards, the so-called parlay cards, with which most people are familiar.

Mr. RICE. Yes; a pool.

Mr. BRODSON. Yes; a pool. Those are cards which are issued with bona fide handicaps, and you may take or give the points as you see fit.

The odds offered are unfortunately not nearly what they should be, and I started to play these cards, and I found that I was successful—whether I was lucky or not, I don't know—but I was successful at playing them.

And there, as I say, this was back in the 1930's, when it was very difficult to earn a living, and I found that by devoting a little effort to the cards I could do as well as I could in the law business. That was the inception of my activities.

Mr. RICE. And your interest was stimulated, and finally you developed your own organization and set up there?

Mr. BRODSON. That is correct.

Mr. RICE. What would you say your net worth is today?

Mr. BRODSON. Oh, you mean an estimate; is that correct?

Mr. RICE. Yes.

Mr. BRODSON. A quarter of a million dollars.

Senator O'CONNOR. And this was derived principally from wagering?

Mr. BRODSON. I would say 98 or 99 percent.

Mr. RICE. And what does that consist of—just the high spots—what property or holdings do you have?

Mr. BRODSON. What property does it consist of?

Mr. RICE. Yes.

Mr. BRODSON. Well, I have seen fit—my wife has always brought pressure on me to get out of this thing, because she felt that trouble might arise, and perhaps I should have abided by her advice, so thereby I set about on a program of trying to invest my money so that eventually I would no longer be obliged to resort to betting to make a living, although honestly and truthfully I cannot honestly discriminate between buying stocks and betting that they are going to rise or fall and betting on the results of a basketball or football game.

Mr. RICE. Yes. You would then say that a major portion of your holdings are in stocks or bonds?

Mr. BRODSON. No, you did not permit me to finish. I purchased an interest in a manufacturing business in Milwaukee, that was operated by two fraternity brothers of mine, and they happened to reach a point where they could have used some additional capital, and I volunteered

it, and I am pleased to report that it has been a very successful business venture.

In addition to that I had an opportunity to invest it——

Mr. RICE. Well, before you leave that, what do they manufacture in that enterprise?

Mr. BRODSON. Pardon?

Mr. RICE. What do they manufacture?

Mr. BRODSON. We manufacture, oh, I suppose—warm-up jackets, athletic uniforms, and oddly enough there is the tie-up again.

Mr. RICE. What is the name of the company?

Mr. BRODSON. I suppose I am going to bring castigation on myself and the company, but it is Brill Uniforms, Inc.

Mr. RICE. Brill?

Mr. BRODSON. Yes.

Mr. RICE. And you say you made another investment in another enterprise?

Mr. BRODSON. Yes; a retail men's haberdashery store.

Senator TOBEY. So did President Truman.

Mr. BRODSON. Well, that is something to emulate.

Mr. RICE. Were you ever an officer, director, or principal in the Brill set-up?

Mr. BRODSON. Was I ever?

Mr. RICE. Yes.

Mr. BRODSON. I believe I am now, at present, an officer.

Mr. RICE. You are president?

Mr. BRODSON. No, at present I am an officer.

Mr. RICE. You are at present?

Mr. BRODSON. Yes.

Mr. RICE. What officer are you?

Mr. BRODSON. I guess a vice president, or something of that sort.

Mr. RICE. Don't you know?

Mr. BRODSON. I don't honestly.

Senator O'CONOR. I would just like to ask one question there, having given us an estimate of your net worth almost entirely from wagering, I suppose we can assume that that was derived from interstate operations?

Mr. BRODSON. That is correct. It would be impossible to win anything like that money in Milwaukee, because Milwaukee happens to be a community where we have relatively no gambling.

Senator O'CONOR. That is very true.

Mr. BRODSON. It is a very clean community.

Senator O'CONOR. Or with that State, for that matter.

Mr. BRODSON. Or within the State, with the exception of Kenosha.

Senator O'CONOR. Well you have, of course, utilized the different facilities of interstate commerce, that is, the telephone and telegraph in doing that?

Mr. BRODSON. That is correct, and to the best of my knowledge I have violated no law in doing so.

Senator O'CONOR. I was not doing that—it was for another purpose entirely—and you used the mails, as well, in getting checks, and so forth?

Mr. BRODSON. Yes; in the handling of checks.

Senator O'CONOR. I see. And from your answer a minute ago, you have not resorted to concealing or hiding it?

Mr. BRODSON. No. There are a number of people in the business who like to do business in terms of cash. I have never seen fit to do that.

Mr. RICE. Now, sir, you were talking about your interest in Brill Uniforms, and that you were an officer.

How long have you been an officer?

Mr. BRODSON. Approximately 1 year.

Mr. RICE. One year? How about Browning King, will you tell us about that?

Mr. BRODSON. I was about to tell you about the haberdashery store. I am not—I have a 50 percent interest—well, I don't actually have a 50 percent interest, but I made a loan to the business, with the option of converting it to stock at the end of a 5-year period, if I felt that the business justified it. In other words, the business was in a relatively distressed condition, and rather than being in the position of a stockholder where I would have no priority, I got the creditors to subordinate their interests to my particular loan to the company, and if after a reasonable period of time I determine that the company is and will be successful, I will then exercise my option to convert it into stock to the extent of 50 percent.

Mr. RICE. Are you an officer in Browning King?

Mr. BRODSON. I am not.

Senator TOBEY. Is that Browning King a national name?

Mr. BRODSON. It is a national name, but the stores originally, I believe, were a chain, and they sort of split off, whereas they all retain the right to use the name in their particular State. But there is no affiliation.

Senator TOBEY. The local store is by itself?

Mr. BRODSON. They are independently owned; yes, sir.

Mr. RICE. Now, sir, do you own an airplane?

Mr. BRODSON. No; I don't.

Mr. RICE. In your office, how many telephones do you have there?

Mr. BRODSON. Three.

Mr. RICE. Three telephones?

Mr. BRODSON. Yes.

Mr. RICE. And do you know the numbers there?

Mr. BRODSON. Yes; Marquette 8-7434, on a rotary, 7434, 7435, and 7436.

Mr. RICE. And how about at home? Incidentally, where do you live?

Mr. BRODSON. I at present live at 1924 East Cumberland Boulevard. I recently purchased that home.

Mr. RICE. And you live there with your wife, then?

Mr. BRODSON. And three children.

Mr. RICE. And three children?

Mr. BRODSON. Yes.

Mr. RICE. Do you have more than one phone there?

Mr. BRODSON. Yes.

Mr. RICE. How many phones do you have there?

Mr. BRODSON. Two.

Mr. RICE. What are the numbers?

Mr. BRODSON. Woodruff 2-2865 and Woodruff 2-7212.

Mr. RICE. Yes. Are those business phones or private phones?

Mr. BRODSON. One I treat as a private phone, and one I use for business. The Woodruff 2-7212, I believe, is an unlisted number, which I have been using as a business phone.

Mr. RICE. Now, is there a Main number—or a Broadway number that you can be reached on?

Mr. BRODSON. There was. Broadway 2-7162. Those phones have since been removed.

Mr. RICE. Yes. Now that was listed under the name of Frank Cianciola, 1135 West State Street?

Mr. BRODSON. Right.

Mr. RICE. Well, what was that?

Mr. BRODSON. I originally took those phones in the same building for the purpose of—I learned as a result of people with whom I was doing business informing me that there were inquiries being made from the chief of police as to whom I was doing business with at Marquette 8-7434, and rather than try to get into some complications with the Milwaukee Police Department, I utilized those phones temporarily. They have since been removed.

Mr. RICE. Now, they were removed, you say?

Mr. BRODSON. They were removed; yes.

Mr. RICE. How did that happen?

Mr. BRODSON. I felt they had outlived their usefulness.

Mr. RICE. Yes. Who was Cianciola?

Mr. BRODSON. He was, I believe, a cousin of Teddy's.

Mr. RICE. Of Gagliano?

Mr. BRODSON. Of Teddy Gagliano; yes.

Mr. RICE. He merely acted as a front, I take it?

Mr. BRODSON. It was not even a front. He used the apartment to live in, and we put the phones in his apartment. That is all.

Mr. RICE. When was the phone taken out, approximately?

Mr. BRODSON. I would guess about a month ago.

Mr. RICE. Was there any police action in connection with that?

Mr. BRODSON. None to my knowledge.

Mr. RICE. You more or less were anticipating police action, shall we say?

Mr. BRODSON. That is right.

Mr. RICE. Now, then, during the course of a year's time, would you like to estimate what the cost of your telephone service is?

Mr. BRODSON. Oh, it varies. I would guess it must be about \$15,000 a year, more or less.

Senator O'CONOR. What would you say was the total amount of your betting, realizing that some were losses and some were wins, and mostly wins, as you have described, but in the aggregate what would you say would be the total betting?

Mr. BRODSON. That is a peculiar question, you see, to this extent: Conceivably, I might bet on one side with one person, and bet the other side with another person, in an endeavor to trap the game in the middle, so that actually whereas the amounts of bets might appear huge, in the event I was able to trap the game in the middle I was able to win both sides, and my risk was relatively negligible, because I was sure to win from one side, even though I lost from the other, and I stood the opportunity of winning from both.

Senator O'CONOR. With that explanation, and having that in mind, what would you say in the aggregate would be the largest amount you bet in a year?

Mr. BRODSON. In a year?

Senator O'CONOR. Yes.

Mr. BRODSON. Well, this is strictly an estimate, but I would guess it must run a million dollars.

Senator O'CONOR. A million dollars.

Mr. BRODSON. Yes.

Senator O'CONOR. Would that be the average for the past several years?

Mr. BRODSON. This is strictly an estimate. I never tried to tabulate that.

Senator O'CONOR. Yes. I meant to the best of your knowledge.

Mr. BRODSON. I would guess that is about correct. And as I attained affluence, I managed to bet a little bit more.

Senator O'CONOR. It has been on the upward curve?

Mr. BRODSON. Definitely, and I am pressing my luck.

Senator O'CONOR. Over the last 5 years, would you say it ran between a half million and a million?

Mr. BRODSON. Yes.

Senator O'CONOR. And about what percent would you say you were making on your investment?

Mr. BRODSON. Well, that is hard to understand, except that I believe you have in your files my tax returns of last year. I believe it was about \$80,000.

Senator O'CONOR. Eighty thousand dollars? Yes; that would be about—has it averaged that?

Mr. BRODSON. No; it has not. It has been on the ascendancy.

Senator O'CONOR. It has been on the ascendancy between \$50,000 to \$80,000 a year?

Mr. BRODSON. Yes.

Senator O'CONOR. Thank you very much.

Mr. RICE. Would that be true over, say, the past 4 years?

Mr. BRODSON. Four years?

Mr. RICE. Yes.

Mr. BRODSON. No; I don't believe that is true. I think it has been rising in the last 2 or 3 years, I think it started to rise in about 1948.

Mr. RICE. Now, sir, is there a sign on the door of your office in Milwaukee?

Mr. BRODSON. No.

Mr. RICE. There is no sign at all, no lettering at all?

Mr. BRODSON. No.

Mr. RICE. Are you listed in any directories there?

Mr. BRODSON. Yes.

Mr. RICE. How are you listed?

Mr. BRODSON. I am listed as a food broker.

Mr. RICE. As a food broker?

Mr. BRODSON. Yes.

Mr. RICE. How did that come about?

Mr. BRODSON. That came about in a very peculiar manner.

Senator HUNT. Let us have order.

Mr. RICE. Go ahead.

Mr. BRODSON. In 1948 I was looking for an investment, and I made a very unwise one. I happened to affiliate myself with a wholesale grocery concern, and I poured considerable money into it, and the

concern went bankrupt, for various reasons, none of which were under my control.

I was betting—I had an office there, I was an officer of that corporation, and I was using that office both in the grocery, both to help out in this grocery business, and to use it as a place to bet out of.

Mr. RICE. Well, in any event, the net result is the only thing paying off is the betting, and you still continued to list yourself as a food broker.

Mr. BRODSON. As I say, when that outfit went broke, I intended to do some food brokering, and when I applied for my phones, and this, I guess, is not according to usual standards, usually you go under some alias and pay somebody several thousand dollars to get the use of some phones, but I did not do that.

Mr. RICE. Except on the Cianciola one.

Mr. BRODSON. Cianciola was not—he was a cousin of Teddy's, and he was using the apartment, and he got the phone for us.

Mr. RICE. He got the phones for you, didn't he?

Mr. BRODSON. Right.

Mr. RICE. The record shows that the telephone service was originally installed in December 1950, under the name of "Get the Vote Committee."

Mr. BRODSON. "Get the Vote Committee." Well, as a matter of fact, phones were difficult to procure at that time——

Mr. RICE. Yes.

Mr. BRODSON. And in order to get those phones we had to figure out some way to get them, and we decided to use "get the vote committee" as a means for getting that phone.

Mr. RICE. So it was a complete subterfuge?

Mr. BRODSON. Definitely.

Mr. RICE. And it was not getting the votes, but it was "get the bet," wasn't it?

Mr. BRODSON. Yes, make the bet.

Mr. RICE. In January 1951, the listing was changed to Frank Cianciola, produce?

Mr. BRODSON. Yes.

Mr. RICE. Why was that?

Mr. BRODSON. Well, the election had been held, and there was no longer any need for any "get the vote committee," so we just changed the name.

Mr. RICE. Yes. Now, for the record, I see——

The CHAIRMAN. What did you do with the election with the "get the vote committee," did you get any votes?

Mr. BRODSON. I guess so. We didn't actually use the phones for the purpose of getting votes.

The CHAIRMAN. Thank you.

Mr. RICE. I think for the record, Mr. Chairman, we should submit the arrest record of Frank Cianciola of 444 North Jackson Street. He was arrested five times in Milwaukee, and except on one occasion he was fined.

Here is an arrest for improper use of license plates, disorderly conduct, assault and battery, inmate of a gambling house, and an auto speeding arrest.

Senator HUNT. They may be received into the record.

(The information referred to above may be found in the files of the committee identified as exhibit No. 42.)

Mr. RICE. I see an expense item in connection with your expenses in 1949 for service and sheets. What service do you take?

Mr. BRODSON. Well, there is an establishment which publishes—I suppose the best thing to do would be to submit an example of what type of services I take. There is an organization which tabulates in a very good manner the results of the games as they are played, and that service is issued each week and—

Mr. RICE. Briefly, where does that service stem from, and what do you pay for it?

Mr. BRODSON. The Gorham Press of Milwaukee.

Mr. RICE. Of St. Paul, you mean?

Mr. BRODSON. Of St. Paul, yes.

Mr. RICE. Yes.

Mr. BRODSON. It is nominal. If you want their handicaps, I believe they charge about \$20 a week, which I have never been obliged to use, because I have my own, but if you want their printing material you pay for it only on the basis you order.

Mr. RICE. You don't take wire service for horse racing, or anything like that?

Mr. BRODSON. No.

Mr. RICE. Well, we might receive one of these Gorham sheets.

Senator HUNT. It will be received in the record.

(The document referred to will be found in the files of the committee identified as exhibit No. 43.)

Mr. RICE. You do not take wire service for horse racing?

Mr. BRODSON. No.

Mr. RICE. Do you hold any bets at all?

Mr. BRODSON. No. I might occasionally go to the track, or somebody in the course of my conversation might suggest that I bet on a horse, in which case I bet a nominal amount, but for the purpose of the record, I don't do horse betting.

Mr. RICE. Over the telephone, you would do that?

Mr. BRODSON. Very, very occasionally, not more than five or six times a year, perhaps.

Mr. RICE. All right, sir. We see that recently you have been in telephone touch with a fellow by the name of Collins. What was that in connection with? He is over in Gloversville, N. Y.

Mr. BRODSON. Gloversville, N. Y.?

Mr. RICE. Yes.

Mr. BRODSON. The gentleman by the name of Collins is one of these men who bets for me.

Mr. RICE. He bets for you?

Mr. BRODSON. Yes.

Mr. RICE. How do you make arrangements with a gentleman like Collins to bet for you?

Mr. BRODSON. How do I make arrangements for him to bet for me?

Mr. RICE. Yes.

Mr. BRODSON. He is interested in procuring the teams I am betting on.

Mr. RICE. He is interested in what?

Mr. BRODSON. He is interested in procuring the teams I am betting on.

Mr. RICE. In procuring them?

Mr. BRODSON. Yes, and I ask him to make bets for me.

Mr. RICE. Yes. Well, now, where did you meet Collins, and what is his first name?

Mr. BRODSON. I would have to guess that that is not his name. I don't even know. I know his name as Dave, that is all. I mean, you probably have the name under which the phones are issued, but I don't know anybody by the name of Collins.

Mr. RICE. What we are interested in is your *modus operandi*.

Mr. BRODSON. Yes; I am very happy to cooperate with you and tell you about that.

I will call Dave and say to Dave, "Dave, I want to bet on"—well, I won't tell you who I am going to bet on tonight.

Mr. RICE. We would like to know about between Kentucky and Illinois.

Mr. BRODSON. I have a confirmed opinion.

Mr. RICE. All right.

Mr. BRODSON. And if I released it, the price might go up.

Mr. RICE. All right, sir. What we want to know——

Mr. BRODSON. I did bet on Kentucky, for instance, the other night against St. Johns.

Mr. RICE. Yes.

Mr. BRODSON. I had been in New York, and I had seen St. Johns, and I was not impressed with the team. They appeared to be a tired team, and I decided that the handicap, as it was popularly being used, was too low.

Senator O'CONOR. Mr. Brodson, do you keep any line of information open so as to learn of the condition of the players?

Mr. BRODSON. Only by means of newspapers or by means of contacting people in various sections of the country, whose opinion I respect, and I confer with them and exchange information with those people.

Senator O'CONOR. Betting in the large amounts that you do, and apparently from the amount over the year, do you not feel it is important to get the very best information you can by contacting somebody?

Mr. BRODSON. I definitely endeavor to use every effort to get the best information. It is very costly, if you don't.

Senator O'CONOR. Yes. Do you rely upon any persons in the town where the game is to be played, for example?

Mr. BRODSON. In some instances; yes.

Senator O'CONOR. And then do you use their judgment or do you make——

Mr. BRODSON. I temper it with my own.

Senator O'CONOR. You temper it with your own?

Mr. BRODSON. Yes.

Senator O'CONOR. In connection with the ascertainment of conditions, and of any developments, have you contacted any of the coaches of the teams?

Mr. BRODSON. No; definitely not.

Senator O'CONOR. Or anybody connected with the schools or universities themselves?

Mr. BRODSON. None, no.

Senator O'CONOR. Any of the sports writers?

Mr. BRODSON. I sometimes have spoken to local sports writers with whom I happen to have an acquaintance, but I cannot think there is anything very reprehensible about that.

Senator O'CONNOR. I did not, of course, mean to leave any implication. I am referring to the sources, the extent to which you go.

Mr. BRODSON. Some of these people in these particular towns whom I call might conceivably contact sports writers, or might conceivably contact sources of information which would be available to them.

Senator O'CONNOR. I was not indicating anything at all by way of any reprehensible conduct. I was only wondering as to the attempts you made to get information from them, possibly without their knowing what it was going to be used for.

Mr. BRODSON. Well, perhaps I am too much on the defensive.

Senator WILEY. Has he covered his modus operandi, as he calls it?

Mr. RICE. No. I was going to give him another example.

Let's take a concrete example. We notice that you are in telephone contact with an individual here in Washington, D. C.

Mr. BRODSON. Yes.

Mr. RICE. Who is that?

Mr. BRODSON. The morning Washington Post carries the name of the individual, as I saw this morning, so I can't see that I would do anything wrong in divulging his name. His name is Cohen.

Mr. RICE. 6321 Fourteenth Street?

Mr. BRODSON. I believe that is correct.

Mr. RICE. Tell us how you became acquainted with Cohen.

Mr. BRODSON. I happened to be down in Florida a year or two ago, and somebody introduced me to him. I have never actually bet Cohen anything, nor has Cohen bet me anything.

What happened was that Cohen said he had, in the parlance of gambling, outs. In other words, he had places where he could place wagers, which were not available to me.

Mr. RICE. Yes.

Mr. BRODSON. And he wondered whether he could not place wagers for me.

Mr. RICE. Yes.

Mr. BRODSON. And at first I endeavored to investigate his integrity, and I found that to be satisfactory, and when I learned if I won I was sure of getting paid off, I was very happy and satisfied to use him as a tool, you might say, in betting for me.

Mr. RICE. You used him as a channel, you might say?

Mr. BRODSON. As a channel; yes.

Mr. RICE. In connection with using Reds Cohen as a channel, what would be the consideration for him? Why would that be done?

Mr. BRODSON. There was no consideration for Reds, except that, as I told you, my success record has been pretty good, and he found that by betting illogically—well, when I bet I won more often than I lost, and it resulted in a net profit to him.

Mr. RICE. All right. Why would he receive a profit on that?

Mr. BRODSON. Because if I bet, he would bet on the same thing.

Mr. RICE. He was following your betting?

Mr. BRODSON. Right.

Mr. RICE. Did he tell you he was doing that?

Mr. BRODSON. That is what he told me.

Mr. RICE. All right, sir.

Now, let's take a hypothetical case. Suppose that you wanted to bet on Kentucky in a game against St. Johns, the other night, and you wanted to put the bet down through Reds Cohen, what would you do?

Mr. BRODSON. I would call Reds.

Mr. RICE. Where?

Mr. BRODSON. At his home or at his office number.

Mr. RICE. He gave you numbers?

Mr. BRODSON. He gave me numbers; yes.

Mr. RICE. And one was listed for the Acme Construction Co.?

Mr. BRODSON. I have no idea who those numbers are listed to. I happen to be familiar with the numbers.

Mr. RICE. You got the numbers from him?

Mr. BRODSON. Yes.

Mr. RICE. And you called him?

Mr. BRODSON. I would call him and say, "Reds, I want to get down on Kentucky minus seven against St. Johns tonight. I don't want to lay any more than 11-to-10."

Now, there are some people deal in 11-to-10, and some at 115-to-100, and some at 120-to-100.

Mr. RICE. What would you mean by the minus seven?

Mr. BRODSON. I wanted to bet that Kentucky would win by seven points.

Mr. RICE. Or more?

Mr. BRODSON. If they won by seven, it was just no bet, it was just a draw.

Mr. RICE. It was a stand-off?

Mr. BRODSON. It was a stand-off, but if they won by more than seven I would get paid.

Mr. RICE. And you would mention a figure which would be about how much, in a hypothetical case?

Mr. BRODSON. Well, the figure might vary.

Mr. RICE. Well, let us call it a thousand dollars.

Mr. BRODSON. In this instance, I said, "Bet as much as you can," which was about a thousand dollars.

Mr. RICE. And he would say "All right"?

Mr. BRODSON. Right.

Mr. RICE. What would happen next? You win, and if you win the bet, Kentucky beats St. Johns by more than seven points; isn't that right?

Mr. BRODSON. That is right, and then Nathan Cohen owes me \$1,000.

Mr. RICE. How would you receive that money?

Mr. BRODSON. Well, rather than have a lot of bookkeeping transactions, as I say, I would very carefully examine the integrity of the individual with whom I was dealing, before I ever started to deal with him, and having satisfied myself that I was certain of getting my money, I would permit that money to ride, and then periodically we would probably exchange checks.

As a matter of fact, I don't believe I ever was—in the few years I have known Reds, I have never sent him any money. He has always sent me money.

Senator WILEY. You had a book account showing debits and credits over a period of time?

Mr. BRODSON. Yes; which we entered from day to day.

Senator WILEY. And that is a permanent record?

Mr. BRODSON. Yes.

Mr. RICE. Now then, sir, is it the correct impression that when you would bet with Reds Cohen here in Washington, the money you received would come directly from Cohen and would not come directly from the individual or outfit he placed the bet with?

Mr. BRODSON. My guess is, unless Reds was very foolish, he would hurry to do exactly what I was doing, and therefore he would bet somebody else and win the money.

Mr. RICE. He would just pyramid it; he would receive his pay-off and transmit it to you?

Mr. BRODSON. That is right.

Mr. RICE. You say he would do that by check?

Mr. BRODSON. Occasionally; usually by check, or sometimes by means of a certified check.

Mr. RICE. Well, now, just to clear it up a little bit, did you say that you might tell him occasionally to get as much down as he could?

Mr. BRODSON. Yes, because, you see, when you tell him to get as much down as he can, there is a limited market; after you bet a certain amount of money the price rises.

Mr. RICE. And would he call you back and tell you how much he had got down?

Mr. BRODSON. Yes. Sometimes he would say, when I told him as much as he could, he usually meant a thousand or \$1,500. Occasionally, when the market appears to be greater than that, he would call me to ask me if I wanted to take an additional amount. Sometimes he would only return as little as \$300 or \$500.

Mr. RICE. Now, sir; when he returned the money to you by check, would that come through the mail?

Mr. BRODSON. Yes.

Mr. RICE. On a Washington bank?

Mr. BRODSON. Well, sometimes on a Washington bank, and sometimes it might come in the form of a check that he had received from the individual whom he had bet, and he would just merely endorse it over to me.

Mr. RICE. I see. Sometimes you would get a check from Pete Genevese, or someone like that?

Mr. BRODSON. Correct.

Mr. RICE. Do you remember that name?

Mr. BRODSON. Do I remember the name?

Mr. RICE. Yes.

Mr. BRODSON. No, I do not.

Mr. RICE. Do you remember any names that Reds Cohen bet with for you?

Mr. BRODSON. I don't really, because I never paid any attention to it. If the check happened to bounce I could always come back to Reds for payment on it.

Mr. RICE. Back through the channels?

Mr. BRODSON. Yes, sir.

Mr. RICE. All right, sir. When the check was received by you, you would deposit it in the bank?

Mr. BRODSON. Yes; in my personal account.

Mr. RICE. Under what name do you carry your account?

Mr. BRODSON. Sydney A. Brodson.

Mr. RICE. And what bank?

Mr. BRODSON. The City Bank & Trust Co.

Mr. RICE. And you use that for these betting checks?

Mr. BRODSON. Yes.

Mr. RICE. All of them?

Mr. BRODSON. Yes.

Mr. RICE. Do you have any other bank accounts?

Mr. BRODSON. None.

Mr. RICE. So that any checks you received in connection with this betting activity would all go to your account in that bank?

Mr. BRODSON. Yes.

Mr. RICE. Now; did you ever receive cash?

Mr. BRODSON. Occasionally.

Mr. RICE. Through the mail?

Mr. BRODSON. No—yes, yes, occasionally.

Mr. RICE. And they would send cash through the mail?

Mr. BRODSON. I mean, some of the people in the business are not very sharp, and they sent sheaves of money through the mail, and they would take all the hazards of having it lost, but that does not happen very often.

Mr. RICE. What would be the largest amount you would say you had received through the mail in cash?

Mr. BRODSON. Probably a thousand dollars.

Mr. RICE. A thousand dollars?

Mr. BRODSON. Yes.

Mr. RICE. What was the biggest bet you ever won?

Mr. BRODSON. Oh, I don't remember the exact game—is that what you mean, the game on which I won the biggest bet?

Mr. RICE. Your biggest bet.

Mr. BRODSON. About \$20,000.

Mr. RICE. \$20,000?

Mr. BRODSON. Yes; that is the exception, though, and not the rule.

Mr. RICE. Yes. What would you say your average bet on a basketball game would be?

Mr. BRODSON. Oh, the average bet would be about \$2,000.

Mr. RICE. About \$2,000 a game?

Mr. BRODSON. Yes.

Mr. RICE. Now, in selecting the games that you are to bet on, do you have any preference as to the section of the country or the Garden games or—

Mr. BRODSON. No; I try to stay away from the Garden games.

Mr. RICE. You try to stay away from the Garden games?

Mr. BRODSON. Yes.

Mr. RICE. And for what reason?

Mr. BRODSON. Because long before the scandal ever broke, I realized, just from looking at the results, that they were abnormal.

Mr. RICE. You realized that something was going wrong with the Garden games?

Mr. BRODSON. Yes. You see, I presume this will be of interest to you members, because that has received a lot of publicity.

Mr. RICE. Sure.

Mr. BRODSON. The thing that becomes abnormal about a game is when the price falls—the price of the game falls beyond a reasonable amount. In other words, I am considered to have a very, very good opinion.

Mr. RICE. How do you learn of that price fall—from your telephone conversations around?

Mr. BRODSON. Yes. I am considered to have a very, very good opinion, and as I say, I used several channels of betting, and there are a number of people who follow my selections, and yet after I bet a game the price might fall. Well, you don't quite appreciate what I mean, but let's say arbitrarily the price might fall from seven to six or five and a half, and that would be an extremely deep drop, yet a Garden game might fall from seven to two, which is strictly abnormal, in the absence of factors that are known to everybody, such as injuries or a player breaking a leg.

Obviously, that means that there are unusual amounts of money being poured into that thing, and abnormal amounts of money, and by dint of sad experience the bookmaker has learned that he had better deal very warily with those games when the price falls back.

Mr. RICE. When you say it falls from seven to two, you mean from seven points to two points?

Mr. BRODSON. From seven points to two points. The odds don't vary.

Mr. RICE. The odds are head and head at all times on a basketball game?

Mr. BRODSON. Usually in the Garden games it became a familiar thing to use what they call a spread. After the game got down to three, the bookmaker might be afraid that people were beginning to realize that the thing had fallen too low and bet the other way, so he would spread it 2, 4, or even money.

Mr. RICE. So the various bookmakers arrange their own spread?

Mr. BRODSON. Yes; individually.

Mr. RICE. And that is a subject of negotiation in the individual bet that you place—the amount of spread?

Mr. BRODSON. Correct.

Mr. RICE. Will you explain that?

Mr. BRODSON. The bookmakers vary.

Mr. RICE. Will you explain a little bit better for the committee just what the spread is and how it works, how it affects the bets on each side? Let us take a hypothetical case.

Mr. BRODSON. Well, taking a hypothetical case, let's take the Kentucky game—

Mr. RICE. Let's take the Wisconsin-Tennessee game.

Mr. BRODSON. I don't think they meet very often.

The CHAIRMAN. Well, if they did, the spread would all be on Tennessee.

Senator WILEY. What kind of a spread?

Senator HUNT. May the chairman suggest that you choose the game you just spoke about?

Mr. BRODSON. Yes. I want to choose that, because it is very current; it happened only last Thursday night, and that game happened to be St. John's playing Kentucky.

St. John's had played Kentucky earlier in the year, and had won by six points. They handicapped them six. In this case, Kentucky being the popular team to bet on, they designated the number of seven to start the game.

Now, when I say they designated it, an individual put up the price at number seven, and was willing to take either \$1,100 to 1,000 or \$110 to \$100, depending upon the extension that he gambled to.

Senator HUNT. Explain what you mean by it; will you, please?

Mr. BRODSON. You had the privilege by laying 11 to 10, or money in terms of 11 to 10, to take St. John's, plus seven points, or Kentucky, minus seven points. You were not under any obligation to take either side, you had your choice, and for that choice you paid \$11 for \$10. In other words, you risked \$11 to win \$10.

The theory and the dream of all bookmakers is to have what he calls a balanced book. A balanced book will mean that you bet \$11 to \$10 on St. John's, and the gentleman who follows you bets \$11 to \$10 on Kentucky, and then regardless of how the game terminates, he wins \$1.

Senator HUNT. That is very nearly identical with bookmaking on the horses.

Mr. BRODSON. Well, I don't know.

Senator HUNT. In the last analysis, that is the way it is.

Mr. BRODSON. Possibly that is true.

Senator HUNT. They bet in such a way that what they get is a percentage.

Mr. BRODSON. Actually and practically it does not work out that way. What I mean by that is this, that you don't ever get the same amount—the bookmaker does not ever get the same amount bet on each side, and eventually you wind up with betting one side or the other.

Now, as soon as he reaches his extension, or the amount that he is willing to wager on one number, he drops a number a half point or a point, or raises a number a half point or a point, in an endeavor to attract somebody else to bet on the other side, and then he is risking for his \$11 to \$10, the fact that the number will fall on seven.

Let us give you a hypothetical case. I bet on Kentucky minus seven, and I lay \$1,100 to \$1,000. Now, you put the number up, you, as a bookmaker, would put the number up at seven and a half, hoping to get somebody to bet the other side, but in doing that, whereas you receive \$1,100 to \$1,000 from the other side, you take this chance, that if the game happens to call seven, you lose one way and stand it off the other way, and therefore you are risking \$1,000 to win \$100 or betting \$10 to \$1 that the number does not fall on seven.

Mr. RICE. Now, tell us what is meant——

Mr. BRODSON. Does that clarify it for you?

Mr. RICE. Tell us what is meant by winding up in the middle.

Mr. BRODSON. Well, that is best described in terms of football.

Mr. RICE. Yes.

Mr. BRODSON. A game will come out usually on Sunday or Monday of the week preceding the day that the game is to be played on. We will take Senator Kefauver's team, Tennessee, as an example. Tennessee was to play this year the University of Texas in the bowl game. Texas was the popular team, Tennessee was not the popular team. Texas opened at about $7\frac{1}{2}$ points, a favorite over Tennessee—the $\frac{1}{2}$ is an artificial number, primarily used to do away with ties—which meant that, if I wagered on Texas, Texas would have to win by 8 points in order for me to win my money.

However, if I wagered on Tennessee, even if Tennessee lost by 7 points, I would win my money. The $\frac{1}{2}$ merely meant that there could be no tie.

Mr. RICE. Now, then, when a game winds up——

MR. BRODSON. Now, when a game opens, therefore, if I have a firm conviction that the number is wrong, or even if I have not a firm conviction that the number is wrong, but in my belief the great preponderance of money will be bet that that number is wrong, I will frequently go in and bet a sum of money on the side which is higher than the number I think will eventually wind up.

Now, when that number falls to 3 or 2, I may turn around and wager the other way.

MR. RICE. So, you are betting on both sides?

MR. BRODSON. So, if the game happens to wind up at 3, 4, 5, 6, or 7, I win both sides. As against that, I am obliged to risk the amount of odds that I am obliged to lay; namely, 10 percent.

MR. RICE. Now then, is it a fair statement to say that if a gambler is in a position of having bet on both sides it will be to his advantage to have the game wind up in the middle?

MR. BRODSON. Definitely.

MR. RICE. So that, if he had his choice and could fix the exact score at the end of the game, he could tell exactly what he would like to have the game finish up at?

MR. BRODSON. Definitely.

MR. RICE. And win both bets?

MR. BRODSON. Yes.

MR. RICE. Now, as an expert, do you feel that that spread system of betting had anything to do, or the fact that they could wind up in the middle had anything to do, with the fixed basketball games in the Garden?

MR. BRODSON. Yes; I do. I think that that enabled—you see, they were able to appeal to these young boys, whom they contacted, I believe, during summer vacations.

MR. RICE. Yes.

Senator O'CONNOR. Had you any indication of the fact that they were fixed?

MR. BRODSON. Yes.

Senator O'CONNOR. You had?

MR. BRODSON. I did not have it directly. I told you how I had that, by what I termed abnormal betting and abnormal results.

Senator O'CONNOR. Well, now, had there been any instance like that before as a result of which you had some knowledge?

MR. BRODSON. Yes. It has been going on for a number of years; and as a matter of fact, to the best of my knowledge, there are a number of teams that have not come under suspicion whom I suspect.

Senator O'CONNOR. Has that affected your betting?

MR. BRODSON. Unfortunately it cost me money. I mean, judgment is of no value against something that is not going to be played on its merits. Your judgment has got to be weakened.

Senator HUNT. Go ahead, Counsel.

MR. RICE. Going back to the Garden.

MR. BRODSON. Yes.

MR. RICE. At a game in the Garden where betting is so arranged that the game cannot end up in the middle of advantage to the bettor, would it be possible to approach a basketball player, a boy at the school, and convince him that he could help the gambler and still permit his school to win? That is a fair statement; is it not?

Mr. BRODSON. Yes. You have a misconception, however, about that situation. The so-called gambler, or the man you designate as the bookmaker, is the victim of all this, and not the perpetrator of it.

Mr. RICE. Who is the perpetrator?

Mr. BRODSON. The perpetrators are people like Scalzo and that ilk.

Mr. RICE. They are bookies?

Mr. BRODSON. Not books.

Mr. RICE. What are they?

Mr. BRODSON. Bettors.

Mr. RICE. Bettors?

Mr. BRODSON. Bettors who want to bet on a sure thing, like Virginia Hill.

Mr. RICE. Well, in any event, it is possible for the boy in question, for his school to win?

Mr. BRODSON. Yes.

Mr. RICE. And yet control the points?

Mr. BRODSON. Definitely.

Mr. RICE. In such a way that it will be of advantage to either a gambler or bookmaker or Virginia Hill or anybody?

Mr. BRODSON. That is right.

Mr. RICE. That has money down.

Mr. BRODSON. Yes.

Mr. RICE. Assuming he goes through with the contract he makes with the individual who bribes him, or in other words if, as you say, this point spread was from 7 to 2, and you could get bets down both ways, and the game ends up with the boy's school winning by 5?

Mr. BRODSON. But that is not actually the practice. The way it works out—that is the way they used to try to arrange it at the very inception of this thing, but they discovered by dint of sad experience that it was too difficult to control. First of all, you did not have the five members. Secondly, you could not control what the other team was going to do. Therefore, it was very difficult to make it fall in a number or any two or three numbers, unless it fell by chance. So, what usually happens, they would arrange it, if a game was 7, usually they chose a game where the handicap is large enough, usually arbitrarily the number 12, and they said to these kids, "Now, here, don't you win by more than 7."

Now, technically, I suppose a young boy was able to assuage his conscience with the thought that he was not throwing his dear old Alma Mammy to the winds, that he was going to win the game, so what difference did it make whether his team won by 5 or by 14; but in the meantime the man bribing the boy had the assurance that he would do everything in his efforts and power to prevent the game from going over number 12. He usually gave himself a margin of error. In other words, he would bet at 12, 11, and 10, and tell the boy not to win by over 7.

So he tried to make it as sure as he possibly could.

You know—don't you?—that this was not the first instance of bribery which was disclosed in the Garden.

Mr. RICE. Yes. All right, sir. Now, then, some of these other people with whom you bet, I notice that you call or did call a telephone number here in Washington, Adams 1611. Do you recall who you were in touch with there?

Mr. BRODSON. To the best of my knowledge, that was Reds.

Mr. RICE. That was Reds?

Mr. BRODSON. I believe.

Mr. RICE. Well now, according to the records of the telephone company, this phone was listed in the name of the National Union of Government Workers at 1809 Ninth Street. The telephone was put in at that address on June 2, 1950; and on January 4, 1951, after police action, the telephones were removed. According to the records of the police department here, or at least the records of the United States attorney's office, there was a raid on those premises on January 2, 1951, in which the police, acting on a tip from the Atlantic City police, arrested Wilbur L. Cohen, Joseph Gale, and Oster and Albert Kliegman.

They also found two adding machines, two boxes of number slips, five telephones, and three radios.

Wilbur L. Cohen—who, I assume is colored; I understand that is a colored neighborhood——

Mr. BRODSON. I think he is a nephew of Reds. I am not sure.

Mr. RICE. He is what?

Mr. BRODSON. I think he may be a nephew of Reds.

Mr. RICE. A nephew of Reds?

Mr. BRODSON. I don't think he is colored. I don't know his name.

Mr. RICE. Then that is part of Reds' set-up?

Mr. BRODSON. I think—I don't happen to know whose name——

Mr. RICE. Well, you call it. How would you call it?

Mr. BRODSON. I assume it was Reds. Adams 1612 was the number I knew.

Mr. RICE. You did not reach Reds there; did you?

Mr. BRODSON. Occasionally; yes.

Mr. RICE. You reached Reds at Adams 1612?

Mr. BRODSON. I believe so; yes. If I did not reach Reds, I would reach somebody who was in the office who would convey the message to Reds as to what I would bet on.

Mr. RICE. In any event, the case was continued several times before the United States commissioner here, and eventually dismissed, and Cohen claimed \$2,782 of the money seized, and after the other money was claimed there was still \$21 left that no one claimed.

It was interesting to note that, after the telephones were removed from there, the telephone company made an effort to send back the deposit of the money that had been put up for the phone, and when their representative went there they were told to go over to see Mr. Simpkins at Seventh and S—that was the building owned by him—and they could not find Simpkins at the time, and they still have the money; but, in any event, Roger Simpkins is a rather well-known Washington figure in whose place, the Brass Rail, at Seventh and S Streets, there was a shooting about 2 years ago between two men named Nelson and Leahe over a gambling dispute. Do you know anything about that?

Mr. BRODSON. I never heard of anything like that at all; I never heard of Mr. Simpkins.

Mr. RICE. All right, sir.

I notice that you are also in touch with some people down in Oklahoma City.

Mr. BRODSON. Yes.

MR. RICE. With whom do you do business in Oklahoma City?

MR. BRODSON. A gentleman by the name of Mr. Keller.

MR. RICE. Mr. Keller? Who is he?

MR. BRODSON. Well, he is primarily a bettor on basketball games, I believe.

MR. RICE. He is a what?

MR. BRODSON. A bettor.

MR. RICE. He is a bettor?

MR. BRODSON. Yes.

MR. RICE. How do you get in touch with—how did you get in touch with Keller?

MR. BRODSON. Oh, somebody happened to bring us together, and gave us each what was known as an O. K. Somebody said, "If you bet Keller, you are certain you will be paid," and that was sufficient to do business.

MR. RICE. Yes.

How did you get this O. K. that you talk about?

MR. BRODSON. Usually through some intermediary, somebody whom I know and somebody whom he knows, and somebody whom we both mutually respect, and we are willing to abide by the decision that this individual gives us.

MR. RICE. Well, now, in these O. K.'s—

MR. BRODSON. Obviously in gambling.

MR. RICE (continuing). Have you done business with someone over the telephone with whom you have never been in personal touch?

MR. BRODSON. Very frequently.

MR. RICE. Very frequently?

MR. BRODSON. Very frequently. I happened to meet Mr. Keller for the first time last night.

MR. RICE. But you had been betting in Kansas City?

MR. BRODSON. Yes.

MR. RICE. So, you get the O. K. from someone who is almost a mythical proposition?

MR. BRODSON. Right.

MR. RICE. And you will bet that man sums of \$1,000 or more?

MR. BRODSON. Right.

MR. RICE. And be paid off through the mails or by cash?

MR. BRODSON. Yes; usually through the mails.

MR. RICE. Do they ever send a courier to you, a messenger?

MR. BRODSON. Very rarely.

MR. RICE. Very rarely?

Now, then, in setting up these bets, has it ever happened that someone who was given the O. K. failed to make their check good?

MR. BRODSON. Yes.

MR. RICE. What do you do about that?

MR. BRODSON. What would I do about it?

MR. RICE. Yes.

MR. BRODSON. Usually just put it down as a bad debt.

MR. RICE. Just charge it off as a loss on your books?

MR. BRODSON. Yes.

MR. RICE. All right, sir.

Senator O'CONNOR. Let me ask you just one question: In the placing of the betting, does the selection of any of the officials have anything

to do with it? Have you taken into consideration the identity of the referees?

Mr. BRODSON. Usually not.

Senator O'CONOR. Usually not? In any cases?

Mr. BRODSON. Well, sometimes there have been stories going around that some of the officials may not be entirely unbiased; some of the officials are known in the parlance as "homers."

Senator O'CONOR. "Homers?"

Mr. BRODSON. In other words, they cannot afford—they don't have the courage of their convictions, and they are afraid to stand the razing or the booing of the crowds, and they subconsciously lean to the home team, in which case if you are assessing the handicap you usually allow a point or two for that type of a referee if you are fortunate enough to know who is refereeing.

Senator O'CONOR. So that in the calculations you do learn the identity of the officials?

Mr. BRODSON. Not in all instances.

Senator O'CONOR. But in some?

Mr. BRODSON. There was one instance, that was very prevalent throughout the country, and oddly enough it happened in the Big Ten, which was my home territory, and which we think is impeccable, and there was a particular referee who, when he refereed a game—or there were a couple of them, I should take it back—there is another one in the East—when this particular individual refereed the game, oddly enough you had almost the same situation that took place in the Garden games.

Senator O'CONOR. Yes. Is that information communicated around or among the—

Mr. BRODSON. The whisper goes out.

Senator O'CONOR. The whisper goes out?

Mr. BRODSON. The "X" is going to referee this game, and that you had better be very careful.

I should go a step further and tell you truthfully that there were whispers that these individuals themselves were betting or actually receiving remuneration favoring one side or the other.

That is rare; that is not the usual thing.

There are probably about three, four, or five instances of that throughout the United States, to the best of my knowledge, and oddly enough those individuals are still refereeing.

Senator O'CONOR. All right.

Mr. RICE. Now then, will you tell this committee whether or not you have ever taken a bet from one of these, let them bet you?

Mr. BRODSON. Well, yes and no, to this extent: That in my contacts with an individual, the individual would say to me, "Somebody bet me on such and such a game, and bet me more than I wanted to hold." He would then say, "What do you think of the game?"

Well, if in my estimation the handicap was—in my estimation perfect, obviously I would be willing to accept odds because anybody laying odds on a dead even thing, is going to lose. So that the theory was that if I accepted—

Mr. RICE. You are holding the bet?

Mr. BRODSON. One would win and one would lose.

Mr. RICE. You are holding the bet?

Mr. BRODSON. Right.

Mr. RICE. Is there any distinction between that and being a bookmaker, in your opinion?

Mr. BRODSON. I think so.

Mr. RICE. What?

Mr. BRODSON. I think so.

Mr. RICE. There is? Wouldn't you consider yourself then a lay-off man in that respect?

Mr. BRODSON. Conceivably, yes. You see, a lay-off man is different in this respect; a lay-off man must accept—

Mr. RICE. Yes.

Mr. BRODSON. To me, the offer was made.

Mr. RICE. But they exercise a prerogative; do they not?

Mr. BRODSON. I exercise the prerogative.

Mr. RICE. Right. But when you do accept a lay-off you have accepted a bet; is that right?

Mr. BRODSON. That is correct.

Mr. RICE. Have you ever accepted a bet, or shall we say, in the last 3 years, have you ever accepted a bet, from any individual within the State of Wisconsin?

Mr. BRODSON. No.

Mr. RICE. So that you will say that in the last 3 years—

Mr. BRODSON. I should not say that because there has been social betting where I meet somebody on the street, and I like one side and he likes the other, and I make a wager, but I don't feel that is accepting a bet in the strict sense of the word.

Mr. RICE. Yes; although 90 percent of your business is making and accepting bets?

Mr. BRODSON. Yes.

Mr. RICE. So you draw a mighty fine line of distinction there?

Mr. BRODSON. I probably do.

Mr. RICE. All right, sir.

Do you have any regular customers in the State of Wisconsin who bet you or that you bet?

Mr. BRODSON. No.

Mr. RICE. What proportion of your total betting would you say was conducted outside of the borders of the State of Wisconsin?

Mr. BRODSON. Ninety-nine percent.

Mr. RICE. Ninety-nine percent? So that you only take 1 percent within the State?

Mr. BRODSON. Right.

Mr. RICE. And of that 99 percent, what proportion would you say was carried on over the telephone?

Mr. BRODSON. Ninety-five.

Mr. RICE. Ninety-five of the ninety-nine.

Now, sir, I notice that we have information from Oklahoma City that Keller there does a large volume of business with bookmakers in several large cities. Among them are Ike Hassen out in Portland, Oreg., and you do business with Ike Hassen?

Mr. BRODSON. Right.

Mr. RICE. Portland, Oreg.

And, I guess it is Clark in Chicago at the Long Beach number. You do business with him.

He did business with you at the Broadway number, and it says, "Most of his bets are placed at," indicating that he is betting you.

Mr. BRODSON. Well, that is not exactly true. You see, I will discuss with Mr. Keller the merits or demerits of the particular game in a particular section of the country. If the game happens to be from a particular section of the country, the market is much less stable than if the game originates from a section of the country other than the section of the country where the game is to be played. So, Mr. Keller will, in turn, ask me to go out and bet for him on a particular game that we happen to agree is underpriced or overpriced, so to that extent technically Mr. Keller does bet me; but actually I am moving along with him. I now become the channel rather than the feeder of the channel.

Senator HUNT. The committee will stand in recess for a period of 5 minutes; and the chairman of the committee wishes to discuss or talk with the television men immediately. The committee will stand in recess.

(A short recess was taken.)

Senator HUNT. The committee will come to order.

Mr. Counsel, will you proceed to interrogate the witness?

Mr. RICE. All right, Mr. Brodson. Did you come into contact with a man by the name of Snyder down in Miami?

Senator HUNT. The acting chairman would like to ascertain if all telecasts are off the air as far as the city of Washington is concerned, who are carrying the Baptist program, and the radio?

Mr. BRODSON. Should I feel affronted? [Laughter.]

(There was discussion off the record.)

Mr. RICE. All right, sir.

Directing your attention to a man by the name of Snyder down in Miami, will you tell us how you met him and who he is; James Snyder?

Mr. BRODSON. Yes. I first knew Mr. Snyder, again in the form of an O. K.

Mr. RICE. You got an O. K. on him?

Mr. BRODSON. Yes; and I assume he must have gotten an O. K. on me or he would not have done business with me.

Mr. RICE. You did not meet him formally?

Mr. BRODSON. I did not. In fact, I never met him for a period of—I was doing business with him over a period of 4 or 5 years, and never had occasion to meet him until last year.

Mr. RICE. And you met him down in Miami when you were there?

Mr. BRODSON. Yes, when I was there for a vacation.

Mr. RICE. Now, sir; is Snyder from Steubenville, Ohio?

Mr. BRODSON. I believe so.

Mr. RICE. What type of business do you do with him; the same thing?

Mr. BRODSON. No. Snyder is no longer in business.

Mr. RICE. He is no longer in business?

Mr. BRODSON. No.

Mr. RICE. Well, when you were doing business with him, was it the same type of business?

Mr. BRODSON. Yes.

Mr. RICE. Football?

Mr. BRODSON. Basketball.

Mr. RICE. Football and basketball?

Mr. BRODSON. Primarily.

Mr. RICE. And you bet back and forth with Snyder?

Mr. BRODSON. Yes.

Mr. RICE. Did you do anything else with him? Was he an information getter or anything like that?

Mr. BRODSON. Yes.

Mr. RICE. Tell us about that.

Mr. BRODSON. Well, Jimmy had an opinion which was very, very well respected.

Mr. RICE. On what?

Mr. BRODSON. On basketball and football games.

Mr. RICE. Yes.

Mr. BRODSON. And when you say you respect a man, the man comes up with many more winners than he does losers, and that is what makes him good. In this business if you come up with winners you are a hero, and if you come up with losers you are a bum; and that is the sole distinction.

Jimmy was known to have—to come up with more winners than losers, and consequently——

Senator WILEY. That is true with life generally.

Mr. BRODSON. Yes, sir. Isn't that true?

Mr. RICE. Did it come to your attention that possibly the reason why he came up with more winners was because he knew a few coaches?

Mr. BRODSON. No, it didn't come to my attention.

Mr. RICE. Do you know that?

Mr. BRODSON. I don't know why Jimmy came up with more winners than losers. He had his sources of information which I never inquired into.

Mr. RICE. Did you call him from time to time and discuss the situation with respect to certain teams before making a bet for purposes of research, shall we say?

Mr. BRODSON. Yes.

Mr. RICE. And you considered him an expert along those lines, and had a good source of information to tell you the condition of the teams, the players, and the chances?

Mr. BRODSON. Jimmy might—I don't know what his sources of information might be. He might have known coaches whom he spoke with.

Mr. RICE. As a matter of fact, he told you sometimes that he was in touch with some coaches, did he not?

Mr. BRODSON. Yes, but lots of people tell you they are in touch with coaches, who are not actually in touch with them.

Mr. RICE. I did not hear your answer.

Mr. BRODSON. I say a lot of people tell you, and they are not.

Mr. RICE. Did he tell you that?

Mr. BRODSON. I believe he may have mentioned that; yes, sir.

Mr. RICE. All right, sir.

Mr. BRODSON. I don't believe—Jimmy may have conceivably known coaches on a social basis; I don't think there was ever any question that coaches or anybody else were making the results go in conformity with Jimmy's desires.

Mr. RICE. We understand that.

Mr. BRODSON. He might have conceivably known a coach who might have told him that his team was not in good shape; that it had looked bad in practice all week.

Mr. RICE. More or less through inadvertence, not knowing that Jimmy—

Mr. BRODSON. Not knowing that Jimmy was using it for gambling. He might have told him strictly on a friendly basis.

Mr. RICE. Yes.

The CHAIRMAN. Mr. Chairman, in that connection, I think I feel that some improper inference might go out—what you are talking about is not with respect to any coaches.

Mr. BRODSON. I am not talking about the veracity of any coaches.

The CHAIRMAN. Just a minute. That any coaches would be selling out to him, but he would worm his way in and try to find out information about how the coaches felt, how the players felt, whether they had any casualties, or that some players were laid up.

Mr. BRODSON. Yes.

The CHAIRMAN. And whether they thought they had a good chance of winning.

Mr. BRODSON. Which, so far as I know, is a perfectly bona fide and legitimate inquiry.

The CHAIRMAN. And in the case of this fellow, Snyder, he was posing as being an oilman of some sort.

Mr. BRODSON. That I don't know.

Mr. RICE. You say he got out of the business. What happened to him?

Mr. BRODSON. Pardon me?

Mr. RICE. You say he got out of the business. What happened to him?

Mr. BRODSON. What happened to him? Well, Jimmy, I believe, had been very successful and had accumulated a relatively large sum of money as a result of his endeavors, and that I know only by hearsay.

Mr. RICE. Yes.

Mr. BRODSON. I believe he had some marital trouble, and there was a question arose as to the custody of the child, and I believe when the question about custody of the child arose, it was—

Mr. RICE. Let us not go into that. He is out of the business?

Mr. BRODSON. Yes.

Mr. RICE. How long would you say he has been out of the business?

Mr. BRODSON. About 3 years, I would estimate.

Senator WILEY. Mr. Chairman, I do not want to divert from that, but I do think that the particular idea that you brought out in your question might be well amplified in view of this man's large experience.

Do you want to give it as your judgment that, by and large, the basketball coaches and the players of this country are not selling out; that only the occasional sell out?

Mr. BRODSON. I would say to the best of my knowledge no coach has ever sold out. I have never even heard of it in the grapevine that the coach has sold out. I heard in the grapevine that a coach might occasionally be conceivably betting on his own team to win. I have never heard of a coach betting against his own team.

Senator WILEY. That is the grapevine. But let us get it straight so that everyone does not get the idea that all the colleges and all the players of this country have gone to hell.

Mr. BRODSON. They haven't; believe me, they haven't.

Senator WILEY. No.

Mr. BRODSON. They are in the very small minority.

Senator WILEY. In other words, you do not bet or arrive at your judgment by virtue of getting inside information that someone has gone crooked, do you?

Mr. BRODSON. No; I definitely do not.

Senator WILEY. You base it upon the standard of the player, his ability, and so forth. Is that your idea?

Mr. BRODSON. That is correct; that is absolutely correct.

Senator WILEY. Have you any other channels, paid or otherwise, that give to you the information that there is something rotten in Denmark so far as any particular team is concerned?

Mr. BRODSON. No; I personally do not have. There may be others who do, but I don't have.

Senator O'CONOR. Of course, Mr. Brodson, it could be that some persons could communicate with the coaches and get some information from the coaches, just perfectly innocently.

Mr. BRODSON. Oh, definitely, definitely. I think the coaches, by and large, are above reproach.

Senator WILEY. They would go to the character and ability of the players.

Mr. BRODSON. Exactly, and I don't feel there is anything wrong with it. I don't feel, if you were a graduate of a university and you happened to be with the coach, and the coach said, "Boy, my boys are high tonight," and you went out and decided that you were going to go to the game and you wanted to make a wager, and you bet on your alma mater, the fact that the coach told you that they were in good shape would merely confirm your opinion, and you would bet—you might conceivably bet—twice as much as would ordinarily bet. But I don't think for one minute that that should cast any reflection upon the coaches. I mean, you can't literally silence these men. You can't put adhesive tape over their mouths.

Now, everybody, gentlemen—you are all graduates of universities, and you belong to alumni associations, and the coach comes in, and you all ask him, "What kind of a team are we going to have next year? How is the material? Is it going to be a good one?" And the coach has no choice but to be cooperative.

Senator HUNT. Mr. Witness, because of your knowledge and because of your insight into basketball, you are able to discern and you were able to discern quite some time ago that something was irregular in the Garden; that is right?

Mr. BRODSON. Definitely.

Senator HUNT. Now, by the same processes, you would have been able to detect had there been anything wrong in football, would you not?

Mr. BRODSON. Yes.

Senator TOBEY. What makes the Garden appear to be a bad place for you? What makes the place bad in the Garden? What is different from a game in the Garden from a game in Cincinnati?

Mr. BRODSON. Actually, there is not. There are instances that have happened outside of the Garden that are open to suspicion. I don't have any knowledge or proof that there is anything wrong, but it is not the Garden. I think it is New York City which lends for that sort of thing.

You see, if you will permit me to digress for a moment, what happens is this: They have a number of summer resorts in the Adirondacks which has become commonly known as the Borsht Belt.

Mr. RICE. You mean the Catskills?

Mr. BRODSON. What started originally was this: These people had tennis courts and they felt, as a means of amusing the guests, it might be a good idea to have basketball games; and so, one resort would play the other resort.

Well, obviously, prestige was lent to the resort that had the winning team, so they began to go out into the open market and hire college basketball boys to come there and work in the capacity of bus boys, room clerks, and in whatever capacity they might need them, and they probably paid them a little bit more than they would have been obliged to pay an ordinary bus boy, but in the meantime they had the advantage of this man's services on a particular basketball team.

Senator TOBEY. That is not uncommon among certain colleges, is it—football material?

Mr. BRODSON. I think it is the recognized and prevailing standard; that is, what they do—that is, this purity code that they have tried so hard to enforce and have failed to be able to do so—it just folded up this past year.

Senator WILEY. In the Big Ten, too?

Mr. BRODSON. Pardon me?

Senator WILEY. They have that in the Big Ten?

Mr. BRODSON. I think there is recruiting in the Big Ten; yes.

Senator TOBEY. Mr. Witness, may I ask you just a couple of more questions?

Mr. BRODSON. Certainly.

Senator TOBEY. Is it agreeable, Mr. Chairman?

Mr. BRODSON. If you will permit me to enlarge on this statement, this is my conception of how this entire thing started.

Now, it was natural for some good pants manufacturer from New York City who was staying at A resort to make a sporting wager because apparently—and there is no sense to our closing our eyes, that is the American way—to make a wager with some pants manufacturer from B resort that the A resort team would win, and that started the betting.

Now, immediately certain illicit characters recognized what was going on, and merely would come to these hotels as guests, and now coming as a guest and posing, as in one instance, a very prosperous and successful jewelry manufacturer, he would start to seek out these boys and wine them and entertain them, and later, even when they came to New York, hold New Year's Eve parties at his home, and obviously win himself into the way of these boys, and these boys, of course, obviously were, for the most part, particularly those boys that go to those New York schools—underprivileged.

Now, they must have been fascinated by this huge display of wealth, and they must have—it obviously offered a temptation to them. Here is a man now who comes up and says, "Now, listen, your team is 15 points tonight. What's the difference if you win by 10?"

Whereas they are going to be very hard on these boys, and I suppose actually somebody has got to be the victim, these boys are not inherently criminals. I don't think there was any criminal intent on the part of these boys. They never suspected they would be found out. I don't think they ever intended that they dump a game.

Senator HUNT. May I say to the witness, your dissertation is most interesting, but time is fleeting.

Mr. BRODSON. O. K.

Senator HUNT. Senator Tobey has a question.

Senator TOBEY. I will be very brief, Mr. Chairman. These questions are not with any particular personal application to you, but I think you can answer them.

You can answer them on the principles involved, I mean. These bets that you place are from you, Mr. Brodson, in one State with someone else in another State; is that right?

Mr. BRODSON. Yes.

Senator TOBEY. You place bets with people who are in States where gambling is illegal?

Mr. BRODSON. Yes.

Senator TOBEY. You would be under a handicap or unable to transact your business if you could not transmit your bets over the telephone or by telegraph; would you not?

Mr. BRODSON. Yes.

Senator TOBEY. Do you feel that in placing bets in a State where gambling is illegal, you are breaking the law?

Mr. BRODSON. No.

Senator TOBEY. Have your operations contributed to our national wealth by producing any new wealth or anything of value?

Mr. BRODSON. Will you repeat that question, please?

Senator TOBEY. Have your operations in gambling contributed to our national wealth by producing any new wealth or anything of value?

Mr. BRODSON. Nothing except the income tax that I pay. [Laughter.]

Senator TOBEY. Now, in carrying on your operations have you ever taken any bets or made any bets with any players, managers, or coaches of any basketball team or any of the other branches of sports?

Mr. BRODSON. No.

Senator TOBEY. Now, adverting to the question I asked you there, sir; do you feel that in placing bets in a State where gambling is illegal that you feel that you are breaking the law and you say "No." Will you justify that statement to me; kindly explain it to me.

Mr. BRODSON. Well, I think if the great State of Illinois, for instance, has seen fit to license four race tracks and to accept wagers of those race tracks, and it is perfectly legal for me to go into the State of Illinois—and I am using Illinois, and there are many others—and make a wager on a horse race, with a perfect stamp and approval of the law, then it is perfectly legal for me to go into the State of Illinois and bet on a basketball game.

Senator TOBEY. Do you feel that despite the fact that the law particularly prohibits it—off-track gambling?

Mr. BRODSON. I beg your pardon.

Senator TOBEY. If that State only licenses pari-mutuels within the track, and if off-track gambling is illegal, you still consider that you are a judge, competent to say that you are not breaking the law?

Mr. BRODSON. Yes, I sincerely feel that.

Senator TOBEY. How do you justify that statement? You are breaking the law; are you not?

Mr. BRODSON. Well, let me—how do I justify it?

Senator TOBEY. Yes.

Mr. BRODSON. I justify it on the basis of my own conscience.

Senator TOBEY. That is not the question. No man's conscience is above the law. The law says that you shall not gamble in States A, B, C, and D.

Mr. BRODSON. Right.

Senator TOBEY. And one Brodson places bets from his home State in these States where the law says that you shall not gamble.

Mr. BRODSON. Right.

Senator TOBEY. It is my contention—I may be wrong—that thereby you are a party in breaking the law.

Mr. BRODSON. You are absolutely right.

Senator TOBEY. That is my question originally, sir.

Mr. BRODSON. Except, let me put it another way, Senator.

Senator TOBEY. Yes.

Mr. BRODSON. We had in this country a prohibition law. I don't know if you indulge, but some of us—

Senator TOBEY. I indulge in it right now. The best drink in the world [drinking water].

Mr. BRODSON. I agree with you. [Laughter.]

By the same token, let us not fool ourselves. All of us at sometime or another inhabited a speakeasy. Did all of you feel that you were violating the law when you went into a speakeasy and had a drink? If you did not have a drink, that speakeasy could not have existed.

Senator TOBEY. That would have been a shame; would it not?

Mr. BRODSON. Pardon me?

Senator TOBEY. That would have been a shame if it could not exist, would it not?

Mr. BRODSON. It would not have been a shame, but, Senator, the fact remains that you don't stamp out gambling by stamping out what you call the bookmaker or the man that you bet with. You stamp out gambling when the individual, of his own volition, will stop going to that man to make a wager; that is how you stamp it out.

Senator TOBEY. But it takes two parties to make a wager, does it not?

Mr. BRODSON. Yes, sir.

Senator TOBEY. A and B.

Mr. BRODSON. That is true; and I think A is equally guilty with B.

Senator TOBEY. And each party is responsible, are they not?

Mr. BRODSON. Definitely, in my opinion.

Senator TOBEY. So, to answer my question, you knew that you were breaking the law when you knew what I stated?

Mr. BRODSON. That is right.

Senator TOBEY. That is all I want.

Senator HUNT. Counsel will proceed.

Mr. RICE. Getting back to Miami, with respect to telephone Nos. 82-5543 and 82-5544, listed to James Snyder, 995 North Venetian Way Drive, Miami, Fla., did you ever discuss with him conversations that he might have had with professional football players?

Mr. BRODSON. You go back to James Snyder? I missed the beginning of your question.

Mr. RICE. Incidentally, do you bet professional football games?

Mr. BRODSON. Occasionally; yes.

Mr. RICE. Did you ever discuss with him conversations with professional football players he might have had?

Mr. BRODSON. No; he did not discuss any conversations he had. He had convictions on certain professional football games, but I can't say that he got them on the basis——

Mr. RICE. Did he indicate to you that he was in touch with certain professional football players?

Mr. BRODSON. I don't think he did.

Mr. RICE. Would you say that he did not?

Mr. BRODSON. What I mean by that is I can't remember any particular players that he may or may not have been in touch with. He might have intimated that he got his information from somebody, but as for mentioning any specific player or any specific team, I can't say that he did.

Mr. RICE. It would not surprise you then if he was in touch with certain professional football players; is that not right?

Mr. BRODSON. I can't say that it would surprise me; no.

Mr. RICE. Did he ever tell you——

Mr. BRODSON. But, on the other hand, numbers of other people are.

Mr. RICE. Did he ever tell you he was from Steubenville?

Mr. BRODSON. Yes; that is right.

Mr. RICE. All right, sir.

I think, to speed things up a little bit, I will read you a few people that you are in touch with, and you more or less confirm who they are.

Mr. BRODSON. Right. Whether I am or am not in touch with them.

Mr. RICE. Ersin over in St. Paul, at——

Mr. BRODSON. That is a very unfortunate instance you chose. This young chap is a fellow who is strictly, to my knowledge—has never made a bet. He was a young chap who was connected with a newspaper and was what you would call a forecaster with a newspaper, and is at present doing exactly the same thing. He is not wagering at all, and he is a man of high principle, and actually receives none of the benefits. He is strictly a forecaster.

Mr. RICE. A forecaster?

Mr. BRODSON. Yes.

Mr. RICE. For whom?

Mr. BRODSON. I believe Gorham Press.

Mr. RICE. Yes. Who receives the benefit of his forecasts?

Mr. BRODSON. Who receives the benefit?

Mr. RICE. Yes.

Mr. BRODSON. Well, the patrons of Gorham Press, I would say.

Mr. RICE. And those patrons are gamblers; are they not?

Mr. BRODSON. In some instances; in some not.

Mr. RICE. Nearly every instance?

Mr. BRODSON. I believe the majority of them are.

Mr. RICE. Now, Mr. Karl E. Ersin owns what is known as a Dealers' Service Bureau at 719 Nicollet Avenue; is that right?

Mr. BRODSON. I believe that is the address.

Mr. RICE. And you stay in constant touch with Ersin concerning these forecasts?

Mr. BRODSON. Yes, I am friendly with him as an individual, and I respect his opinion.

Mr. RICE. And through him you know he is in constant touch with other sections of the country in connection with his forecasts?

Mr. BRODSON. In some instances; yes.

Mr. RICE. For instance, Dallas, Tex.?

Mr. BRODSON. For instance, he is what we call a forecaster; he judges the results as he reads them out of this little green sheet, and determines what the number will be—the margin of difference between the two teams.

Mr. RICE. How about Morris Brickman over there in St. Paul, at 1746—

Mr. BRODSON. He is in the same capacity, although Morris, I think, occasionally may make a bet.

Mr. RICE. He does what?

Mr. BRODSON. I think Morris occasionally makes a bet.

Mr. RICE. With you?

Mr. BRODSON. No, not with me. Sometimes I will contact Morris and I will say to Morris, "I am betting on so-and-so, and if you like you can have \$200 of it," and he accepts.

Mr. RICE. Has he also furnished information for research purposes?

Mr. BRODSON. I don't believe he does. Yes, he does; but not quite as directly as Karl does.

Mr. RICE. I think we have information which shows that Brickman is in touch with Jackson in Omaha. Do you know him? Also Shapiro in Louisville.

Mr. BRODSON. I have never met either of those people. I know them only by name.

Mr. RICE. You know of them.

Now, up in Rochester, N. Y., you do business with the telephone Baker 8284 which is listed to Norman Horn.

Mr. BRODSON. I did.

Mr. RICE. 8 Exchange Street, Rochester.

Mr. BRODSON. Correct.

Mr. RICE. What sort of business do you do with Horn?

Mr. BRODSON. I asked Horn to bet—he was one of the gentlemen who bet for me.

Mr. RICE. He is a channel for you?

Mr. BRODSON. He is a channel.

Mr. RICE. The record here shows that Horn is a partner in a liquor business with one William Alberts at 514 South Avenue. Do you know that?

Mr. BRODSON. No.

Mr. RICE. For a period of 2 years he was a partner in the Tip-Top Smoke Shop at 215 East Avenue, which the Rochester police raided at one time as a horse room.

Mr. BRODSON. Now, I think—

Mr. RICE. It is reported that affiliated with Bottiglier and Horn in the operation of the Tip-Top Cigar Store was a gambler by the name of Charles J. Trapani, alias Danny New Yorker. Do you do business with Trapani?

Mr. BRODSON. No; not at all. I never contacted Trapani at all.

Mr. RICE. Have you heard of him?

Mr. BRODSON. I heard of him. I know him as Danny; that is all I know about it. My business is done either with Norman or Mike, who is Bottiglier.

Mr. RICE. Down in Rockford, Ill., you are in touch with telephone 3-5426, listed to the United Lumber Co., and telephone number 3-4613, listed to Joseph Ellmann at 1906 Douglas Street.

Mr. BRODSON. Yes.

Mr. RICE. Ellmann is the owner of the United Lumber Co.

Do you trade bets with Ellmann?

Mr. BRODSON. No; not very often. That was a very sad experience where a fraternity brother of mine told me that this individual wanted me to place bets for him, and I obliged, and it turned out unfortunately.

Mr. RICE. So that you were taking bets from Ellmann?

Mr. BRODSON. In turn; just taking them as a courtesy to place them off for somebody else.

Mr. RICE. In other words, you were accepting bets and laying them off for him?

Mr. BRODSON. Yes.

Mr. RICE. You were a channel for him?

Mr. BRODSON. In that instance.

Mr. RICE. And he began to lose substantial amounts of money; did he not?

Mr. BRODSON. Not to my—I learned that only after—to my knowledge he never lost any money.

Mr. RICE. Well, you know what business you handled with him.

Mr. BRODSON. But he didn't lose any substantial amount of money through me.

Mr. RICE. Did you ever know him to win any substantial amounts?

Mr. BRODSON. Yes.

Mr. RICE. He was a constant loser, was he not?

Mr. BRODSON. Not to my knowledge.

Mr. RICE. Are you sure about that?

Mr. BRODSON. Definitely.

Mr. RICE. In any event, you did not place any bets with him?

Mr. BRODSON. No.

Mr. RICE. He was not accepting bets?

Mr. BRODSON. No.

I was just acting as a courtesy through a fraternity brother of mine who apparently knew this chap.

Mr. RICE. To take his action for him?

Mr. BRODSON. Yes.

Mr. RICE. I believe you mentioned that you transacted some business with Ike Hassen out at Portland, at telephone number Beacon 4570, who did business as the Hassen's Sport Shop, and also in retail cigars and tobacco; is that right?

Mr. BRODSON. Yes; that is right, although I have never met him.

Mr. RICE. You never met him?

Mr. BRODSON. No.

Mr. RICE. But you bet back and forth with him?

Mr. BRODSON. Yes.

Mr. RICE. Now, up in Bridgeport, Conn., you are in touch with telephone No. 78-0924, which is listed to John Guman at 150 Burritt Avenue. Guman apparently lives in a house there with some people named Milton, and he was arrested there on a charge of bookie, accepting horse-racing bets.

Do you do business with Guman?

Mr. BRODSON. Very occasionally I do do some business with him.

Mr. RICE. What type?

Mr. BRODSON. No horse racing at all.

Mr. RICE. No horse racing? Football, basketball, and baseball?

Mr. BRODSON. Very little baseball; football and basketball.

Mr. RICE. Well, with a fellow like him, who would put the O. K. on him, as you call it?

Mr. BRODSON. Well, actually you happen to have selected one of the instances of a bad debt.

Mr. RICE. He is a bad-debt man?

Mr. BRODSON. That was a sad experience.

Mr. RICE. So that the man who put the O. K. on him made a mistake, did he not?

Mr. BRODSON. Well, what happened was the man who put the O. K. on him later was not willing to keep his O. K. is what happened.

Mr. RICE. So that you lost out on that one?

Mr. BRODSON. Yes.

Mr. RICE. On this O. K. proposition, is it the same man that gives you the O. K. all the time? Do you have a service bureau on that?

Mr. BRODSON. No; we have no service bureau.

Mr. RICE. No credit agency?

Mr. BRODSON. Although, as a matter of fact, there was a move made by the Gorham Press to originate a service agency.

Mr. RICE. For credit purposes?

Mr. BRODSON. A credit agency.

Mr. RICE. For gamblers?

Mr. BRODSON. Yes.

Mr. RICE. And to see whether a bookie or gambler would pay off or not?

Mr. BRODSON. Right.

Mr. RICE. They were going to run a Dun & Bradstreet?

Mr. BRODSON. Definitely.

Mr. RICE. Who was it, the Gorham Press up in Minneapolis would do that?

Mr. BRODSON. Yes.

Mr. RICE. What happened to that?

Mr. BRODSON. Apparently nobody would subscribe to the service.

Mr. RICE. They—

Mr. BRODSON. Well, you see, what happened was this: that the average bookmaker felt that in order to have a credit agency he would have to detail all his customers, and he was of a worried nature, and felt that if by giving this outfit all of his customers, that somebody might come and steal them, so he never had sufficient confidence to give his customers to this particular agency and, as a result of that, this thing never materialized.

Senator O'CONNOR. What has been your experience as to the trustworthiness of those with whom you have dealt in your betting?

Mr. BRODSON. Well, frankly, if I were to evaluate it, I would rather deal—take a hundred gamblers at random, and a hundred reputable businessmen, and I think the gamblers would stand much higher.

Senator O'CONNOR. As a matter of fact, have you not found in your experience that they, on the whole, do live up to their obligations?

Mr. BRODSON. Definitely, because, you see, they have no stock in trade other than their reputations, and once their reputation is impeached they are hopeless and, therefore, they would beg, borrow, and steal to pay off.

Senator TOBEY. Mr. Brodson, do you know a man in Providence, Rhode Island, or in New England, named Patriarca?

Mr. BRODSON. No, sir; I do not.

Senator TOBEY. Did you ever do any business with him?

Mr. BRODSON. No.

Mr. RICE. In connection with these O. K.'s, do you recall who O. K.'d Guman?

Mr. BRODSON. I think it was somebody in his own town who is not in any way associated with the gambling business.

Mr. RICE. How did you get in touch with that somebody?

Mr. BRODSON. It seems to me that this gentleman had been in a ticket agency of some sort. I am using my recollection; trying to refresh my recollection.

Mr. RICE. Yes.

Mr. BRODSON. And I had some contact with him, and he suggested to me that this individual was of good repute, and later informed me that that night—I should be careful with him.

Mr. RICE. Yes. Who put an O. K. on Snyder down there in Miami?

Mr. BRODSON. Who put the O. K. on Snyder in Miami?

Mr. RICE. Yes.

Mr. BRODSON. Well, my first contact with Mr. Snyder was in Steubenville.

Mr. RICE. You started doing business with him when he was in Steubenville?

Mr. BRODSON. Yes.

Mr. RICE. He was O. K.'d by whom in Steubenville?

Mr. BRODSON. Nobody actually O. K.'d him. What happened was when I first got started in this business, I didn't have an office, and I used to go down in Chicago, and I knew he did business with a couple of reputable houses in Chicago, and was found to be of good reputation, and they were satisfied, and I was satisfied that if they were satisfied I would be satisfied.

Mr. RICE. Who were these reputable houses in Chicago?

Mr. BRODSON. Well, there are several recognized houses in Chicago.

Mr. RICE. For instance?

Mr. BRODSON. I would have to say—you mentioned the name Clark.

Mr. RICE. Clark?

Mr. BRODSON. Wolf.

Mr. RICE. How about Dobkin?

Mr. BRODSON. As far as I know he is a horse man. I never had any contact with him.

Mr. RICE. You never had any contact with Dobkin?

Mr. BRODSON. I would have to say that if Dobkin O. K.'d anybody, he has that reputation for being very reputable in the trade, it would be a satisfactory O. K.; but I personally never had any contacts with Mr. Dobkin because I don't believe he is engaged in sports.

Mr. RICE. Who put the O. K. on Nathan Cohen here in Washington?

Mr. BRODSON. I think I met Nathan Cohen in Miami, Fla., and I met him at a time—I met him for the first time, which was the first time I met him, with the boys from Rochester, N. Y.

Mr. RICE. What boys were those?

Mr. BRODSON. The boys you mentioned, Norman Horn and Mike Bottiglier.

Mr. RICE. And you had the impression from the boys from Rochester that they were doing business with Nathan Cohen, and knew him to be all right?

Mr. BRODSON. They told me that he was an all right guy.

Mr. RICE. Now, when you get O. K.'d with a fellow like Hassen, you get O. K.'d; I guess you have to get O. K.'d, too?

Mr. BRODSON. Probably.

Mr. RICE. How about Hassen? You had never seen Hassen, and have only dealt with him by telephone, and it was quite a distance away. How did you get that O. K.?

Mr. BRODSON. It was not an O. K. Again I became acquainted with him through my association with a place in Chicago, and I was told he was of good repute and good character.

Mr. RICE. Would it be fair to say when that Chicago would be as close as any place for a clearinghouse on credit information on fellows in this business?

Mr. BRODSON. Well, that is not quite correct, because, you see, what usually happens is, you ask an individual that you know in common, that you mutually respect, as to the character of this particular individual; in other words, it is his own clearinghouse; there is not any official financial sheet. You don't know what the worth of the individual is.

Mr. RICE. I understand.

All right, sir. Now, getting out to Nevada, you transacted some business in Las Vegas with the Desert Inn, which we know is operated by Morris Kleinman, and Moe Dalitz, and Wilbur Clark, and Tom McGinty, the Cleveland outfit?

Mr. BRODSON. Yes.

Mr. RICE. They take your action out there, do they not?

Mr. BRODSON. Yes.

Mr. RICE. At the Desert Inn, Las Vegas?

Mr. BRODSON. Yes.

Mr. RICE. Why do you not turn over all of your action to those fellows in Las Vegas?

Mr. BRODSON. In the legalized States—is that your question?

Mr. RICE. Yes.

Mr. BRODSON. Well, to begin with, they, too, have an extension, and they will take—I would like to have it taken—it would be wonderful if I could; but unfortunately they will only take—I believe right now they are taking a maximum of \$500 on a game.

Mr. RICE. They have a limit?

Mr. BRODSON. Yes. This to them is strictly peanuts and strictly a side line. They are not interested in sports, and that is merely the likelihood is that the man—I don't know this of my own information, but the likelihood is that the man who is conducting sports there is a friend of one of the owners, and he merely gives them the opportunity to use the headquarters of the Desert Inn to operate from.

Mr. RICE. Don't they lay off from out of Nevada into other States?

Mr. BRODSON. I think very rarely. You see—

Mr. RICE. Very rarely? Occasionally they do?

Mr. BRODSON. Pardon?

Mr. RICE. Occasionally they do?

Mr. BRODSON. I guess they might occasionally, but primarily they are so big and so well financed that they don't have to do an awful lot of lay-off.

Mr. RICE. Well, your problem there primarily is to get as much money down as you want to, and they will not take it?

Mr. BRODSON. At the particular number.

MR. RICE. So that you spread it around any place that can be taken?

MR. BRODSON. Right.

MR. RICE. Now, going along, Fort Worth, there is a fellow down there named W. M. Smith at the Social Club, and the number Fannin 8945 is listed.

MR. BRODSON. Correct.

MR. RICE. And out in Reno, there is a telephone listed to Ervin Schneider and Harry Weitz, at 14 East Commercial Row and at the Sierra Turf Club, and also at the Mapes Hotel.

MR. BRODSON. Yes.

MR. RICE. Up in Boston you have a connection with a telephone Richmond 2-2530 which is listed to Abraham Romanoff at 3 School Street.

According to the police up there Romanoff went out of business, but left certain telephones up there in the Rowe Club, and the Rowe Club had three individuals in it, Michael Bevilacqua, Ira Hollander, and Louis Yale Sherman, and that Hollander and Romanoff and Sherman have arrests for gambling. The same up there—

MR. BRODSON. I don't know those individuals. None of those individuals were the gentlemen that I deal with.

MR. RICE. Who were you doing business with up in Boston?

MR. BRODSON. A gentleman by the name of George.

MR. RICE. Just plain George?

MR. BRODSON. George.

SENATOR TOBEY. Where is he located in Boston?

MR. BRODSON. I believe, as a result of a letter he received from the chief of police of Milwaukee County, he was raided, and he is no longer doing business.

SENATOR TOBEY. I see.

MR. RICE. Now, sir, down in Lexington, Ky., who are the individuals there?

MR. BRODSON. Lexington, Ky.?

MR. RICE. Yes.

MR. BRODSON. There is a place known as the Maine Bar.

MR. RICE. Maine Bar?

MR. BRODSON. Or the Eastview Bar, I am not sure. I don't have any records, so I can't tell you.

MR. RICE. Do you have records on all those?

MR. BRODSON. I mean I know because, you see, we have addresses of these places where we exchange checks.

MR. RICE. You keep a telephone index on these individuals. They use the telephone numbers LD 15 and LD 33. What are those, long-distance lines?

MR. BRODSON. Yes.

MR. RICE. Who is the individual, what is his name?

MR. BRODSON. I believe his name was Kerr.

MR. RICE. Ed Kerr down there?

I think he has been arrested a number of times for gaming.

MR. BRODSON. That was possible.

MR. RICE. I could bet wrong.

Now, up in New York City who are you in touch with there?

MR. BRODSON. New York City proper?

MR. RICE. Yes.

MR. BRODSON. At the present time no one.

Mr. RICE. No one? I notice you are calling a telephone there, Schuyler 4-4504, listed to David W. Hilton, M. D., a doctor.

Mr. BRODSON. Yes.

Mr. RICE. Taking action from him or what?

Mr. BRODSON. No; I was not. I was using a man who was there as a mean of making bets.

Mr. RICE. A man in the doctor's office, the doctor's telephone?

Mr. BRODSON. I don't know that it was a doctor. Unfortunately, I don't even know what the place is.

Mr. RICE. You frequently are dealing in the dark as to what is on the other end of the line?

Mr. BRODSON. Definitely. It might be in a doctor's office or in a bank; I would not know.

Mr. RICE. Well, at any rate, who is the individual you talked with at the other end of New York City?

Mr. BRODSON. Yes.

Mr. RICE. Who was it?

Mr. BRODSON. Who was he?

Mr. RICE. Yes.

Mr. BRODSON. A gentleman by the name of Dave.

Mr. RICE. The name of what?

Mr. BRODSON. Dave.

Mr. RICE. Dave what?

Mr. BRODSON. That is the gentleman you spoke to me about.

Mr. RICE. Dave Hilton?

Mr. BRODSON. No; I don't believe that is his name; it might be.

Mr. RICE. Well, I do not know. Dave who?

Mr. BRODSON. That is the gentleman I spoke to you about previously in the testimony from Gloversville.

Mr. RICE. He is a man down from Gloversville?

Mr. BRODSON. Yes.

Mr. RICE. But you do not know his last name?

Mr. BRODSON. I don't recall it.

Mr. RICE. How about Sam Boston; do you do any business with him?

Mr. BRODSON. I did, oh, at the very early inception of my entry into the gambling business; yes.

Mr. RICE. Where did you transact business with Boston?

Mr. BRODSON. Oh, he would drift around between Hackensack and all these little towns in New Jersey.

Mr. RICE. Mostly in New Jersey?

Mr. BRODSON. That I never heard of.

Mr. RICE. What became of Sam Boston?

Mr. BRODSON. I don't know. I have not heard from Sam Boston 4 or 5 years. The last I heard, I think he had a heart attack.

Mr. RICE. You have another number there in New York, Circle 7-4832, listed to George Arden at 160 Central Park South. Who would that be?

Mr. BRODSON. That is not familiar to me.

Mr. RICE. You are not familiar with that one?

Mr. BRODSON. What is the number, again?

Mr. RICE. The number is Circle 7-4832.

Mr. BRODSON. And where is it?

Mr. RICE. It happens to be listed on Central Park South. I appreciate it is probably——

Mr. BRODSON. A hotel.

Mr. RICE. A number that you do not understand. You know the number, but not the place.

Mr. BRODSON. No; I don't. It might be a hotel or something. We just—we stayed at Central Park South just a week ago.

Mr. RICE. At the Hampshire House?

Mr. BRODSON. At the Hampshire House; yes.

Mr. RICE. Just before you started for Kansas City?

Mr. BRODSON. Yes, sir.

Mr. RICE. Did you see any of the games there?

Mr. BRODSON. All of them.

Mr. RICE. Down at Evansville, Ind., you were doing business with 5-3521, which is listed to Roosevelt Oils, 15 Northwest Riverside Drive, and also a number at the McCurdy Hotel. What is that set-up there?

Mr. BRODSON. That was the same situation.

Mr. RICE. Who were the people in evidence?

Mr. BRODSON. I believe the gentleman's name is Whit Eckstein.

Mr. RICE. Epstein?

Mr. BRODSON. E-c-k—I never met him; somebody O. K.'d him just a short while ago.

Mr. RICE. Somebody O. K.'d him, and you get him at the McCurdy?

Mr. BRODSON. I don't know whether it is the McCurdy.

Mr. RICE. That is where the phone is.

Mr. BRODSON. I don't know where the place is; I have never seen the places; all I have is the phone number, and no more than that.

Mr. RICE. How would you get in touch with him? He has a non-published number, 3-0934, unpublished number there?

Mr. BRODSON. Yes.

Mr. RICE. How would you get in touch with a man like that? You never saw him, and——

Mr. BRODSON. Somebody——

Mr. RICE (continuing). And you do not know where he is?

Mr. BRODSON. Somebody might have told him.

Mr. RICE. And he calls you up?

Mr. BRODSON. He called me up and said, "This is my number," and——

Mr. RICE. "Check on me?"

Mr. BRODSON (continuing). "Check on me."

Mr. RICE. Give you references?

Mr. BRODSON. In some instances the deposits are left.

Mr. RICE. He left a deposit?

Mr. BRODSON. No; he didn't. In some instances deposits are left.

Mr. RICE. They all forward an undertaking with you and keep it on deposit with you?

Mr. BRODSON. Frankly, when I got started in this business I had to put up deposits.

Mr. RICE. Have you taken deposits from others?

Mr. BRODSON. Very rarely.

Mr. RICE. Have you ever?

Mr. BRODSON. One, I think. I wish I had taken it more often.

Senator HUNT. The acting chairman would like to ask counsel if he cannot just quickly read these names and numbers and consider

contacts having been made by the witness unless the witness states otherwise.

Mr. RICE. All right, sir.

We have in Pittsburgh telephone numbers Hemlock 1-1222 and Hemlock 1-1374, listed for the Atlantic & Pacific Cleaning & Dyeing Co., 99 Amanda Avenue, owned by Benjamin Plotkin.

In Chicago we have a considerable amount of information.

Mr. BRODSON. Incidentally, Mr. Benjamin Plotkin, whoever he is, I have never known. I mean, the number that the phone is issued in is no indication that that is the individual whom I am contacting.

Mr. RICE. Yes. Do you want to say who it is in Pittsburgh?

Mr. BRODSON. I would rather not indict a lot of people or incriminate a lot of people. I admit that I have contacted those people. I don't think it has any bearing on it.

Mr. RICE. Who is the man in Pittsburgh that you do business with?

Mr. BRODSON. You insist, you want to find out?

Mr. RICE. Yes.

Mr. BRODSON. All right. That was a private individual who also acted as a, well, in parlance, we call him a "beard man." You see, a beard man is a gentleman who acts for somebody else, and he is known as a beard man because that is his disguise, that is his identity—

Mr. RICE. A front.

Mr. BRODSON. In the betting parlance that is known as a beard man. I did business with him and he was a beard man with me.

Senator WILEY. What was a bourbon man?

Mr. BRODSON. I don't know; we have not devised a description for him. [Laughter.]

Mr. RICE. In Chicago we have Longbeach 1-2802, Michael C. Greenberg, insurance, 4707 North Broadway; Wabash 2-8604-05, Bar-B-Q Food Products; Dorchester 3-1866, Lee M. Goldstine, also known as Lillie Products Co.

Mr. BRODSON. That is entirely different. That individual has in no way been connected with this thing. That individual happens to be a friend of mine.

Mr. RICE. How about the Bar-B-Q Food Products?

Mr. BRODSON. I don't know about the Bar-B-Q Food Products. In going over this list it is unfortunate that you have gotten in these people who are in no way implicated.

Mr. RICE. We appreciate that.

Mr. BRODSON. I just want to say for the record that obviously you have names of people whom I contacted socially, and I don't want to bring any discredit on them if I can help it.

Mr. RICE. You straighten it out if you think it needs straightening out. Cornelia 7-1000, Alco-Deree Co., a manufacturer.

Mr. BRODSON. Well, that happens to be a concern that I purchased vending machines from. That is another business that I operate.

Mr. RICE. Oh? What type of vending machines?

Mr. BRODSON. Drink vending and sandwich vending machines.

Mr. RICE. Coin-operated?

Mr. BRODSON. Yes.

Mr. RICE. How about slot machines?

Mr. BRODSON. None.

Mr. RICE. Pinball?

Mr. BRODSON. None.

Mr. RICE. You get those from the Alco-Deree?

Mr. BRODSON. Yes. They manufacture sandwich machines.

Mr. RICE. Now, how about Danube 6-6868, Milton Cohen, Victory Paint & Varnish, 2337 South Michigan Avenue, second floor. The premises were raided by police November 1950?

Mr. BRODSON. I don't recognize the name.

Mr. RICE. Independence 3-5700, Karlov Roofing & Metal Co., A. Karlov, president; and then Juniper 8-4751, Sam Karlov, as his home number.

Mr. BRODSON. Those numbers are absolutely unfamiliar to me.

Mr. RICE. You don't know those?

Keystone—how about Karlov?

Mr. BRODSON. Yes; I do know him. He happens to be—there is another individual who is, to the best of my knowledge, in the roofing business, whom I have contacted socially, and not in any way—he might have occasionally called me to ask my opinion as to who he should make the bet on, but certainly that—he is in no way—certainly no aspersions should be cast upon him.

Mr. RICE. Sam, Sam Terry, Keystone 9-4535; Oakland 4-0031, Sol T. De Lee, M. D.

Mr. BRODSON. The last one I don't know.

Mr. RICE. Then the Shoreland Hotel at Butterfield 8-9891.

Mr. BRODSON. I don't know.

Mr. RICE. That is where Tom Kelly's wire service is.

Did you do any business with anyone in Los Angeles, Calif.?

Mr. BRODSON. None.

Mr. RICE. Did you call out there to California?

Mr. BRODSON. Pardon?

Mr. RICE. You have called out there to California?

Mr. BRODSON. My mother- and father-in-law reside there.

Mr. RICE. How about "No Legs" Rosenbloom in Memphis?

Mr. BRODSON. Who?

Mr. RICE. "No Legs" Rosenbloom.

Mr. BRODSON. I don't know him. I have heard about him.

Mr. RICE. Don't you do any business with Rosenbloom?

Mr. BRODSON. No.

Mr. RICE. Are you sure about that?

Mr. BRODSON. Yes.

Mr. RICE. Positive?

Mr. BRODSON. Yes. He is known as "No Legs Charlie."

Mr. RICE. How about—

Mr. BRODSON. He has no legs, incidentally.

Mr. RICE. How about Louis Balsberg down in New Orleans?

Mr. BRODSON. Never did any business with him at all.

Mr. RICE. How about McLanahan in Dallas?

Mr. BRODSON. Never did any business with him.

Mr. RICE. Foster McLanahan? You have telephone calls back and forth between you and McLanahan.

Mr. BRODSON. Conceivably somebody may have called me from McLanahan's office, but I have never transacted any business with him, to my knowledge.

Mr. RICE. I think McLanahan has gotten in touch with you both at the Marquette number and the Broadway number.

Mr. BRODSON. From where; Dallas?

Mr. RICE. Yes.

Mr. BRODSON. You see, conceivably somebody might have been a friend of McLanahan's, and might have been in Dallas to watch an SMU game, and might have called me from McLanahan's office and might have asked to call him back at McLanahan's office, but I had no business contact with him at all.

Mr. RICE. How about Artie Samish out in San Francisco?

Mr. BRODSON. No.

Mr. RICE. Never took any action from him?

Mr. BRODSON. No.

Mr. RICE. Ever been in touch with him?

Mr. BRODSON. No.

Mr. RICE. Do you know who he is?

Mr. BRODSON. Yes, sir.

Mr. RICE. How about Charlie Rich down in St. Louis?

Mr. BRODSON. Never did any business with him.

Mr. RICE. How about Mooney and Carroll down there?

Mr. BRODSON. None.

As you see, my clientele is a little bit more plebian than some of these national celebrities that you mention.

Mr. RICE. Now, sir, how about Mushy Wexler out in Cleveland?

Mr. BRODSON. None; no business with him.

Mr. RICE. No contact with Mushy?

Mr. BRODSON. None whatsoever.

Mr. RICE. Now, let us see. Someone there in Cleveland you are in touch with.

Mr. BRODSON. Mugsy.

Mr. RICE. Beg pardon? Who is that?

Mr. BRODSON. I believe that those were some people that used to be from New York who were in Cleveland the past summer. They were there, to my knowledge, at least. I don't even know the names.

Mr. RICE. Out there in Cleveland, at Cherry 18292 and Cherry 17295 were used by the Acme Realty Co., room 1845, East Ninth Street, room 811, which is on the same floor as Wexler's business, a wire—race-wire service?

Mr. BRODSON. I have heard of him by name, but, believe me, I don't know.

Mr. RICE. The calls were made from there to your number, the Marquette number, and it is understood the purpose of lay-off baseball bets?

Mr. BRODSON. Yes, sir.

Mr. RICE. And it further says that Baseball Bookie Brodson covered his bets with insurance from Wexler's office.

Mr. BRODSON. That is not true.

Mr. RICE. You do not know anything about that?

Mr. BRODSON. No, sir.

Mr. RICE. Do you know Mushy Wexler?

Mr. BRODSON. No.

Mr. RICE. Will you say that you never did any business with him?

Mr. BRODSON. I will say——

Mr. RICE. With Wexler?

MR. BRODSON. Without any equivocation I would say I never did business with him.

MR. RICE. Who are these individuals in Cleveland with whom you were doing business at the Cherry numbers?

MR. BRODSON. Individuals whom I had formerly known and who left New York to go down to Cleveland to transact business. So, actually, where they associated or with whom they were associated, I had no knowledge.

MR. RICE. Who were they?

MR. BRODSON. Well, now, now you are coming again—all I know them by is nicknames.

MR. RICE. What were those?

MR. BRODSON. Bobby, Sammy, and Mugsy.

MR. RICE. Bobby, Sammy, and Mugsy.

MR. BRODSON. Yes, sir.

MR. RICE. All out of New York?

MR. BRODSON. I believe so.

MR. RICE. And went down to Cleveland—are they still there?

MR. BRODSON. Not to my knowledge.

MR. RICE. Where are they now?

MR. BRODSON. Well, I think one of them is in Miami, and one of them is in Jersey, and I don't know—one of them is, probably, in New York City.

MR. RICE. All right, have you ever been arrested?

MR. BRODSON. Have I ever been arrested?

MR. RICE. Yes, sir.

MR. BRODSON. I don't believe so.

MR. RICE. Well, you know, do you not?

MR. BRODSON. I cannot remember that I have.

MR. RICE. At least, you cannot remember that you were ever arrested?

MR. BRODSON. No; for other than speeding—you mean, if you call speeding an arrest, I was arrested, but nothing else.

MR. RICE. You have not been arrested for gambling?

MR. BRODSON. No.

Senator HUNT. Senator Tobey, do you have any questions?

Senator TOBEY. No.

Senator HUNT. Senator Wiley?

Senator WILEY. Yes.

MR. BRODSON, we had a witness here the other day who brought up the very interesting conclusion as to this disease of gambling. He said it was a biological necessity. Now you are a graduate or have had considerable education out of two universities, you told us. You were catechised by Senator Tobey in relation to the violation of laws, as he called it, across State lines. Now what I want to get from you is what you think the cure is: do you think it is a biological necessity?

MR. BRODSON. Frankly, Senator, if you want my honest opinion, I do not think there is any way to eliminate it. What I mean by that, I am just rendering a personal opinion.

Senator WILEY. Get up closer to the microphone, please.

MR. BRODSON. I am rendering a personal opinion. As I say, obviously, you have and I have no brief against the race tracks if the public insists that they want to gamble at race tracks. I suppose you

have to let them do it, but the fact remains that very seldom do you hear of race tracks going broke. That, certainly, is not true of American industry. Some pretty good-looking, some respectable people are behind the race tracks, as well as some disrespectful people, I suppose, and, obviously, their attendance does not seem to fall off, they go right through depressions and go right through all sorts of turmoil. They go right through wars. There is nobody—nobody ever made any effort to draft jockeys into the Army. Now, obviously, the American people want to gamble. I was at the—I happened to be at the Garden this last week, I was watching the games there, and, believe me, in spite of all of the terrific scandal that is attached to the Garden, there were wagers being made, not necessarily with bookmakers, but what is the difference if a man makes a wager with a bookmaker or makes it with a friend of his, he is technically in violation of law. It is illegal to gamble, as Senator Tobey says. Now, I would venture to say that——

Senator WILEY. What I am getting at——

Mr. BRODSON. You have to search this room for more than three people who have never made a wager in their lives. Would you say that they are all lawbreakers? Well, if they are, then, of course, the situation of the country is such that everybody is a lawbreaker.

Senator WILEY. What I am getting at, sir, is that we are a legislative committee——

Mr. BRODSON. I appreciate that.

Senator WILEY. That we are seeking to get facts so that we can recommend constructive legislative policy, and one of the witnesses stated that he thought it would be better to legalize gambling. Of course, we have another objective which is ancillary to the first, and that is this Kefauver committee has done a pretty good job in that connection, it has alerted the American people to crime, not only of gambling——

Mr. BRODSON. You are right.

Senator WILEY. But to avoidance of taxes and other serious matters relating to interstate commerce, and so forth. Now I would like to get your reaction to the suggestion whether you think that legalized gambling of this kind would be beneficial or would be of more harm to the spiritual and economic and political welfare of this country.

Mr. BRODSON. It is my firm conviction that that is the solution for the simple reason that as long as, I repeat, the great majority of the people are intent on gambling, why make lawbreakers of them?

Senator WILEY. What percentage——

Mr. BRODSON. I am going to bring up the subject of the bootlegging days and prohibition. It was just found that the vast majority of the people refused to abide by the laws of this country and conduct themselves in accordance with the law. Now legalizing would do several things. Legalizing, in my opinion, would tend to destroy a great part of this organized crime that you gentlemen have disclosed, because, obviously, now you have heard a lot of names mentioned of these people, and I am not familiar with these people, those names, those telephones are secured under aliases and under fictitious names in many instances. They are secured as a means or by means of bribing officials at the telephone company. Certainly, legalized gambling would tend to destroy this constant form of temptation

to the police officers of our country. We happen to come from a city where there is not, but, certainly, that is not true in most cities in the United States. To be realistic about it, I do not mean necessarily that the top gets paid off, but somewhere along the line there are kick-backs made. Now, obviously, the United States is losing that revenue, to begin with.

Now I appreciate there is no good comes, as Senator Tobey says; what have I contributed, but, by heavens, we haven't contributed anything by fostering the breeding of race horses, we have not contributed anything by fostering the legalization of totalizer machines. Nevertheless, the public attends. The public is in perfect favor. It is very fashionable to go to the race track, and, believe me, I want to say another thing about the race track. I do not happen to frequent the thing, because I do not happen to approve of horse racing or I am not interested in horse racing, but on two occasions last year I had occasion to visit Chicago. And the one impression that amazed and surprised me was the shoddiness of the type of individual that paid his way into the track, people who did not look like they could afford the price of shoes, and people who were not buying shoes, to enable them to put their money into those totalizing machines.

The same is not true of a bookie establishment, if you have ever been in one of those.

Senator WILEY. You are getting down to my other question. That relates to that very subject, because you now claim that under legalized gambling at the race track that the poor devil is mulcted, and the money that should go to buying food and clothing has been taken from the individual.

Mr. BRODSON. Correct.

Senator WILEY. But now you say that in the category where you perform there is not that resulting situation. Are you sure of that?

Mr. BRODSON. I think that is true.

Senator WILEY. Well, you mean that the people that you play with have the means?

Mr. BRODSON. No; you see——

Senator WILEY. To take the chances? Is that right?

Mr. BRODSON. No; you misinterpreted what I was going to tell you. What I was going to say, I had occasion to visit so-called illegal horse books, and the type of individual that you see in those, believe me, is of a higher standard than the type you see at the race tracks. Primarily, because the bookie, as he is referred to, won't tolerate these people hanging around, maybe not because of the goodness of his heart, but maybe because he feels that if he takes this man's bread money he is going to run into trouble. But the ultimate object is such that I would say the people who can least afford are patronizing race tracks rather than bookie establishments.

Senator WILEY. You intimated that in your opinion as indicated in the Garden there were some of these other matters, other sports in which games or individuals are bought and sold or, at least, they were bribed to do things contrary to what they should do. Would you put betting on a legal basis in connection with all of those activities, too?

Mr. BRODSON. Well, Senator, I am going to twist the thought around. There are a lot of crimes committed in the name of politics.

There is the RFC investigation which is going on. Are you going to destroy the RFC committee because certain individuals are mis-using it? I think you are taking the exception rather than the rule. You are blaming the whole gambling industry for the malfeasance of one or two individuals. If that were true, we'd eliminate a lot of things in this world.

Senator WILEY. I think you said that in Wisconsin about 1 percent out of 100 percent were people in Wisconsin who were?

Mr. BRODSON. Yes.

Senator WILEY. And you said about 95 percent of that 1 percent was from Milwaukee; is that what you said?

Mr. BRODSON. No; I did not.

Senator WILEY. What did you say about it?

Mr. BRODSON. No. I think the inquisitor was asking me what source—what was the source of my revenue, and I said that I would guess that 99 percent was from outside of the State of Wisconsin. I do not remember what the 95 percent was.

Senator WILEY. Give your approximation as to where the 1 percent did come from.

Mr. BRODSON. The people of the 1 percent, probably from Milwaukee only because they happen to be personal acquaintances of mine. Believe me, they could have come from Appleton or come from any of the towns farther up in the State.

Senator WILEY. Do you know of any broken homes as a result of the gambling business?

Mr. BRODSON. No more than I know of broken homes as a result of stock-market manipulations.

Senator WILEY. Do you know—I think you have answered this question—that in your opinion the Big Ten was clean and there was not any question of any of this crookedness in that?

Mr. BRODSON. That is correct.

Senator WILEY. And that applied, generally speaking, in the Middle West to all sports?

Mr. BRODSON. Well, no. There were one or two teams in the Middle West that I did not think were above reproach or above suspicion, let us put it that way.

Senator TOBEY. In answering one of Senator Wiley's questions you made the statement about the bribing of officials of the telephone company. Do you know of instances where that has been done?

Mr. BRODSON. I have been told it has been done.

Senator TOBEY. Do you know of any instances?

Mr. BRODSON. No; I do not.

Senator HUNT. Is there anything further?

Senator TOBEY. Nothing further.

Senator HUNT. Senator Wiley?

Senator WILEY. Just a moment. You mentioned on direct questioning by counselor as to your answers and you mentioned your home, and your investments in other business.

Mr. BRODSON. Yes, sir.

Senator WILEY. And do you have any interest in businesses outside of the State?

Mr. BRODSON. None that I know of—none, I would say.

Senator WILEY. Now when you placed bets, do you place them anywhere in this country, as I understand it?

Mr. BRODSON. That is correct.

Senator WILEY. To what extent, do you know, do the people of Milwaukee and Kenosha and Racine carry on gambling outside or go to Chicago for that purpose, if you know?

Mr. BRODSON. Well, actually, as I say, you have chosen—you happen to be the Senator from my State—and I do not say this with any effort to brag, but I don't think there is any State or, actually, even city in the United States that is as devoid of crime as our own town.

Senator WILEY. That is what the FBI record shows, anyway.

Mr. BRODSON. I am not familiar with what the FBI record says. That is my own opinion.

Senator TOBEY. That is a good place to stop.

Senator HUNT. The Senator from Wisconsin generally gets the answer he wants.

The acting chairman on March 22 made some statements with reference to American Telephone & Telegraph and Western Union, stating in effect that it is impossible for this traffic in betting to be carried by their services without them being aware that they were serving such customers. I think it is only fair that I should say in addition to that at this time that the A. T. & T. have given to this committee very splendid cooperation since the starting of these hearings. In many situations they have been most helpful. They have volunteered at some times and other times whenever we would ask them to secure information for us they did it readily and willingly, but I thought it only fair that I acknowledge that service on the part of the A. T. & T.

The acting chairman would like also to publicly express our appreciation and thanks to Mr. John W. Pol-Ceen, chief of police of the city of Milwaukee, who has been most cooperative.

Senator WILEY. I thought it was about time that you would bring that up, sir.

Mr. BRODSON. Pol-Ceen is the correct pronunciation—John Pol-Ceen.

Senator HUNT. Pol-Ceen?

Mr. BRODSON. Yes.

Senator HUNT. The Chair does not have the privilege of knowing the gentleman or of hearing his name pronounced here before, and I simply put the letters together.

Mr. BRODSON. We forgive you, but it is your loss.

Senator HUNT. The Chair wishes to announce that meetings will be continued on Monday morning at 10 o'clock. The Chair wishes to ask the present witness to contact our staff before leaving the room.

Mr. BRODSON. Thank you.

Senator WILEY. Somehow or other when I get Senator Tobey on one side and Senator Hunt on the other, they get me a little bit forgetful. I am seriously concerned about the analysis that we had here of this so-called biological necessity. Now I am going to ask you this: It is very apparent that you do your business and others that operate in your field with horses and everything—

Mr. BRODSON. Correct.

Senator WILEY. Do it because of telegraph and telephone?

Mr. BRODSON. Correct.

Senator WILEY. Now, if we should pass better legislation curtailing the utilization of telegraph and telephone I suppose you would have

to curtail, the question is, the press, because then it is a question, I suppose, that brings up another question there, curtail television?

Mr. BRODSON. That is correct.

Senator WILEY. And curtail movies or radio. Now if we do all of that how are you fellows going to get around it?

Mr. BRODSON. Do you want an honest answer?

Senator WILEY. Yes; I want to know; because if this is a biological necessity, how are you going to get around it?

Mr. BRODSON. You would have to give me 30 minutes to think it over, but I guarantee that they would find a way.

Senator HUNT. The chairman has an announcement to make.

The CHAIRMAN. Mr. Chairman, I just want to say that in my opinion the great network of law violation on the cartel of crime described by this witness is not any matter to be laughing at, when it is even getting into our collegiate sports, and that they are being used by these gamblers and racketeers to carry on a network and a cartel of crime across the United States.

I personally do not think that this witness or anybody whose profession is that of a gambler is a very good witness to ask a professional opinion about as to whether legalized gambling is a good or a bad thing. He, of course, testified about how it is done.

Senator WILEY. Do you mean to criticize me?

The CHAIRMAN. I am not criticizing. I do not think he is in a position to advise the American people as the American people ought to be advised about it.

Mr. BRODSON. I think I actually can from the background, I am better able to.

The CHAIRMAN. That is your opinion.

Mr. BRODSON. That is correct.

The CHAIRMAN. Anybody in a business would undertake to justify the business they are in.

Mr. BRODSON. I am not trying to justify it, Senator.

The CHAIRMAN. Anyway, I just do not think that in your business in trying to justify it that you can very well speak for the average citizen on the street as to whether it is good or a bad thing.

Mr. BRODSON. No; but I venture to say that you could take a poll of the courtroom and that the number of individuals who would actually have engaged in form of gambling and that would certainly be a representative group, and you would find that there would be quite a few.

The CHAIRMAN. Anyway, that is your opinion.

Senator WILEY. I want the chairman to understand, if you please—

Mr. BRODSON. I am not here as any emissary for the gambling profession.

The CHAIRMAN. I did not intend to be—

Senator WILEY. I am trying to get the information.

The CHAIRMAN. I did not try to be critical of the distinguished Senator from Wisconsin at all, except that I would not want the impression to go out from this hearing room that we were paying too much attention to the opinion of a fellow who is in an illegal business as his attempt to justify it, because, naturally, anybody who is in a business of that sort will find some means in their own conscience of justifying it.

Mr. BRODSON. I presume that is right.

The CHAIRMAN. And the other thing I wanted to say, Mr. Chairman, was, if I may, I have a telegram here. I think it is probably sent pulling my leg, so to speak, that since we mentioned the Baptists sometime during the hearing that that was discrimination against some other religion, and I would just like to reiterate what I think everybody knows or hope they know, that we tried in this hearing and all the way through with our committee not to be interested or tried not to discriminate against any church or race or color or creed or political affiliation. We have tried to just treat people as individuals without regard to what political party or what their derivation was. I know that in the matter of talking about the Mafia and sometimes the word "Italian" has come into the hearing that a certain person came from Italy or came from some other race or other nation—I know all of the committee feels, and we should state again, that it so happens that some few people from Sicily, in certain operations, of course, they are from other countries, too, but the great majority of the people of Sicilian derivation have always been very much disconcerted and very much against the operation of that very, very few, and the same thing goes for the 98 or 99 good percent of Italian-Americans or English-Americans or French-Americans or German-Americans or Jewish-Americans, or Protestant-Americans, and Catholic-Americans, so that using the name, the country of derivation of a citizen, certainly is not intended to cast any reflection upon that country or any other people from the nations who have made up America. The telegram here indicated that I should at least make that statement again.

That is all I have.

Senator HUNT. The committee is recessed until 10 o'clock Monday morning.

(Whereupon, at 3:50 p. m., the committee retired into executive session; to reconvene in open session at 10 a. m., Monday, March 26, 1951.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

MONDAY, MARCH 26, 1951

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The special committee met, pursuant to adjournment, at 10:10 a. m., in the caucus room, Senate Office Building, Senator Estes Kefauver, chairman, presiding.

Present: Senators Kefauver, O'Connor, Hunt, and Wiley.

Also present: Senator John R. McClellan and Senator Henry C. Dworshak.

Rudolph Halley, chief counsel; Alfred M. Klein, John L. Burling, associate counsel; David Shivitz, Joseph Nellis, assistant counsel.

J. Howard McGrath, Attorney General; J. Edgar Hoover, Director, FBI; Peyton Ford, Deputy Attorney General; Clyde A. Tolson, Associate Director, Federal Bureau of Investigation; Louis B. Nichols, Assistant Director, Federal Bureau of Investigation; James M. McInerney, Assistant Attorney General; Theron Lamar Caudle, Assistant Attorney General; Dean L. Schedler, Director of Public Relations; A. R. Mackey, Acting Commissioner, Immigration and Naturalization Service.

The CHAIRMAN. The committee will come to order.

I think I should say in the beginning that the committee has just about concluded its hearings insofar as witnesses, except so far as consideration of legislative proposals are concerned. These are public hearings and, of course, whatever public information may be of value the public will have. But the committee must now get down to the very serious job of considering legislative proposals and of undertaking to make legislative recommendations to the Senate—in other words, the pick-and-shovel work of the committee. And anyone who is expecting sensational testimony or a spectacle of any sort—we know there is interest in the legislative proposals and the details of legislation, and if the broadcasting and television companies want to cover these open meetings we are, of course, glad for them to do so, but we want to caution anyone who is expecting any sensational developments, or any thing of that sort, that they will not come out of these hearings.

I also want to say that we have observed that newsreel programs have been retelevised and also we have had some complaints about some local sponsors in some communities; but those are matters over which the committee has no control. If it is to be televised or the radio can come in, we have to leave it to the good judgment of the radio and television companies as to the sponsorship that they have,

and we hope that they will keep it in line with the dignity of congressional hearings.

I also wish to say at this time that we will have this session this morning, and while I do not know how long it will last, I should not think it will be too long.

Then, following that we expect to have an executive hearing with the distinguished Attorney General and men of the Department of Justice and Assistant Attorneys General. This afternoon we will have a hearing, at which time Mr. Coy and perhaps Judge Patterson, who is the chairman of the American Bar Commission, and Judge Leibowitz, judge in Kings County, will appear. I think Judge Patterson is in town.

And tonight at 8 o'clock, we will have a further hearing for certain witnesses who have come in to testify in the last few days.

In the morning at 10 o'clock we will have a hearing with the Treasury—Internal Revenue and Treasury—representatives, and perhaps also some other public witnesses.

That, as of now, will be all of the hearings at the present time, except we did say that Mr. Guzik would be brought back, I believe, on Friday, for further hearing.

Sergeant at Arms, Mr. Duke, has been in touch, I think, with perhaps some other witnesses we have not been able to reach, and if any of them come in we will, of course, give them an opportunity of being heard.

I wish to again state that we do not want anyone's name who may be brought out in our hearings to feel that they do not have an opportunity of presenting their side of any matter or making any explanation or any denial or giving further information about testimony that is brought out concerning them.

So that, during these days when we have hearings, if anyone feels that they wish to make any explanation about the testimony that has been brought out concerning them, if they will let us know, we will see that they have an opportunity of being heard. And in the absence of their being able to make arrangements to come personally, if they wish to send some brief communication, it will also be made a part of the record.

I do have two telegrams, I believe—or three: One from Jamaica, N. Y., to the chairman, which reads:

We regret that although we sent a telegram earlier protesting statement of counsel "that a gambler in Washington with the name of Cohen must be a Negro," you did not see fit to make such correction on the record. Instead you defended Italians, Baptists, and what have you. I have been much impressed with your fairness up to date. You have read telegrams into the record from dubious individuals correcting what they termed inaccurate statements when only one person's integrity was involved. Surely an aspersion involving 15 million Americans of Negro descent should receive equal consideration and it is respectfully requested that our previous telegram be read into the record. A huge TV audience heard counsel's unwarranted inference and the same facilities should hear its correction.

GUY R. BREWER,

Chairman, Legislative Committee, Jamaica Branch, NAACP.

I do not recall the telegram of Saturday, but, of course, a good many have been received, and it will be also read into the record preceding this one.

I also wish to say I have received two or three telegrams from people of various backgrounds saying that I should have mentioned

all nations on Saturday when I said we were concerned and interested only in individuals, and that we are not interested in, and we are not casting any reflection upon people whose forebears might have been from any nation whatsoever; that I should have mentioned all of the nations of Europe and whatnot. I want to make it clear that we are interested only in individuals, not in race, creed, or color, or where anybody's forebears came from. And in this great America we are proud of our Americans from whatever country their forebears or they themselves have come from, whether it be Italian, French, British, Irish or German, Scandinavian, Spanish, African, South American, or Japanese, or wherever they may have or their ancestors may have come from.

Before we start with our distinguished witnesses this morning, does any member of the committee wish to say anything?

Senator WILEY. You left out the Irish, and McGrath is here.

Attorney General McGRATH. How about Wisconsin, Mr. Chairman?

The CHAIRMAN. I intended to particularly say the Irish and Wisconsin. [Laughter.]

Of course, we have a witness that spoke for Wisconsin Saturday. [Laughter.]

Senator HUNT. Mr. Chairman, you have mentioned all the foreign countries now, have you not?

The CHAIRMAN. If I have not mentioned, I do hope the record will show that I intended to mention them.

Senator TOBEY. Mr. Chairman, I did not get who is to be the witness at this evening's session.

The CHAIRMAN. We understand—and frankly I am not sure about that—but two witnesses on whom warrants of arrest were issued by the Senate sometime back, that Mr. Duke has gotten them in. Also I believe that Mr. Zwillman, from Newark, N. J., will be a witness. And if any others are brought in, they will be also heard.

Is that correct, Mr. Halley?

Mr. HALLEY. That is correct, Mr. Chairman. Whether or not the witnesses will be taken out in open hearing has not yet been determined by the committee.

The CHAIRMAN. Well, I assume that if we have them in tonight it will be an open hearing, these particular witnesses.

This morning the committee is delighted to have the Attorney General of the United States and the Deputy Attorney General, Mr. Peyton Ford, the Director of the Federal Bureau of Investigation, Mr. J. Edgar Hoover, and his assistants, Mr. Lou Nichols and Mr. Clyde Tolson; also Mr. Jim McInerney, the head of the Criminal Branch of the Department of Justice; Mr. Lamar Caudle, the head of the Tax Division of the Department of Justice; Mr. Dean Schedler, head of the Information Division, Mr. Mackey of the Immigration and Naturalization Division of the Department of Justice.

Mr. Ford, have I missed anyone?

Mr. FORD. No, sir.

The CHAIRMAN. Early in the beginning of last year Mr. McGrath, the distinguished and capable Attorney General of the United States and our former colleague in the United States Senate, called an attorney generals' crime conference to consider the problems of interstate crime, and out of that much useful work has been done and two very splendid legislative proposals were sent to the Congress of the United

States: One dealing with the interstate shipment of gambling devices, slot machines, which has been enacted into legislation. The other proposal dealt with the matter of wire service in an effort to control or to get at the wire service which is used for wagering operations.

There were two or three proposals made in that connection, one by the Attorney General and one by Mr. Coy, of the Federal Communications Commission, and that is, of course, one of the important matters in executive session, if not in open session, we will discuss with Mr. McGrath and representatives of the Department of Justice.

We appreciate very much, Mr. Attorney General, your cooperation and the assistance that you, as Attorney General, and your Assistant Attorneys General have rendered this committee throughout the work we have tried to do, and we hope that the hearings we have had and the reports that we have filed will be of some assistance to the Department of Justice. And we have enjoyed working with you and your assistants throughout this investigation.

I believe Mr. McGrath will be our first witness this morning. Not that you or Mr. Hoover or anyone else needs to be sworn, but we have an invariable rule that we do swear all of our witnesses.

Do you solemnly swear, Mr. Attorney General, the testimony you give will be the whole truth, so help you God?

Attorney General McGRATH. I do.

TESTIMONY OF HON. J. HOWARD McGRATH, ATTORNEY GENERAL OF THE UNITED STATES

Attorney General McGRATH. Mr. Chairman—

The CHAIRMAN. Mr. McGrath.

Attorney General McGRATH (continuing). And members of the committee, I want to thank the chairman very heartily for what he has said about the Department of Justice and its very sincere efforts—

The CHAIRMAN. Mr. Attorney General, before you start, if I may interrupt, there is one other telegram that I felt I should read into the record before we start our hearing—to the chairman from William O'Dwyer. Ambassador William O'Dwyer sent it from New York. (Reading:)

In accordance with your permission granted when I appeared before you, I am sending under separate cover evaluations and appraisals of my programs, my purposes, and my conduct as a public official, contained in editorials of New York City newspapers. I respectfully call your particular attention to the editorials of the Herald Tribune, May 4, 1949, and May 27, 1949; the New York Times, May 27, 1949, and June 10, 1949; the Daily News, June 11, 1949; the Brooklyn Eagle May 27, 1949, and July 14, 1949.

We told Mr. O'Dwyer that any information he sent would be made an exhibit so it would be available to the committee but not copied into the hearings unless it is some particular matter that he wanted copied in. (Reading:)

In the closing minutes of your hearings in New York, Mr. John Crane, of the Uniform Firemen's Association, testified that in the 1949 mayoralty campaign he made a campaign contribution of \$10,000 to me. There was no corroboration, nor was there any cross-examination to test the truth of this statement. Mr. Crane's accusation is a vicious lie. It was made under the pressure of desperate necessity to save his own skin and to account for \$135,000 of union funds which he handled. His financial manipulation of these funds was, at the

very moment of Mr. Crane's appearance before your committee, the subject of investigation by the grand jury of New York County. This investigation is still in the stage of inquiry, and has not yet been completed. I have spent over 25 of my 60 years in public life as policeman, magistrate, county judge, district attorney, Army officer, Minister, mayor, and now as Ambassador. In these positions of trust I have earned a reputation for honesty that is the dearest possession of my life. I cannot believe that your committee intended to allow, or be a party to, an attempt by Mr. Crane to destroy in 10 minutes by an unsubstantiated and unsupported charge a reputation earned in a lifetime. In view of these circumstances, common justice demands that this telegram be made a part of the record of your committee, and that no consideration be given to or conclusions based upon Mr. Crane's accusation against me.

I am happy to make this telegram a part of the record.

Excuse me, Mr. Attorney General. Now if you will proceed.

Attorney General McGRATH. I started to say, Mr. Chairman and members of the committee, that I deeply appreciate the remarks of the chairman speaking for the committee with respect to the efforts of the Department of Justice to cooperate in the very important work this committee has in hand.

You will recall that when this subcommittee first began to function

I at once directed the 93 United States attorneys throughout the United States to confer with all the law enforcement and crime intelligence agencies that existed in their respective districts, and to compile for me a dossier on each of the outstanding known criminals and characters in their districts. That data was received by the Department of Justice. It was organized there and integrated, and it was furnished to your committee.

I also issued instructions to the United States attorneys in the field through our personnel in Washington that they would cooperate with your investigation in every way. I believe I can take a fair measure of pride in coming before you this morning and saying, and I think you will agree, that these directions were fulfilled. I think they have been of very great assistance to your committee.

The CHAIRMAN. Yes, I think we all agree they have, Mr. McGrath.

Attorney General McGRATH. I certainly appreciate your calling upon me and my assistants in the Department to express our views here this morning, and to be able to say a word about the Department of Justice.

There is no agency in the Government that the people have a better right to look to for the utmost integrity than the Department of Justice. There are very often malicious, slanderous and false accusations made about the way the Department of Justice might or might not be handling a particular situation. Some of them have been made over the radio within the last 24 hours—complete lies.

I want to say at the outset to this committee that there is no case in the Department of Justice at the present time that is not being handled with the utmost integrity, and that any member of this committee—I invite any member of this committee to come to the Department of Justice and to look at the facts of any case in that Department, any case that is there now or that has been in the Department or handled in the Department in the last 10 years, I would say. I would think that would be going back far enough.

I would like the committee to do that because I believe that by doing it we could assure the people of the United States that the Department of Justice is handling the legal affairs of this Government in a manner in which they are entitled to have them handled.

I make that statement, Mr. Chairman, and there are no exceptions to it whatsoever. I would like the committee, members of the committee, to come down and ask us about any case in the Department, and I am sure that we can completely satisfy you that it is being very ably handled.

About a year and a half ago, prior to the establishment of your committee, representatives of the United States Conference of Mayors, the American Municipal Association, the National Institute of Municipal Law Officers, the National Association of Attorneys General, and others, came or wrote to me expressing their alarm over the mounting problems of criminal law enforcement which faced their communities. It is the problem not only of gambling, but in all phases of crime. They were particularly concerned, of course, about the difficulties presented to the local communities in meeting the evils that arose from organized gambling operations. It was quite apparent that in spite of the fact that practically all of the States had laws prohibiting gambling, in many instances the efforts of diligent, local law-enforcement officials were frustrated by the ease with which information and paraphernalia essential to gambling operations can be disseminated and distributed across State lines.

In view of this situation, it was suggested that a conference be called to discuss the law-enforcement problems with local, State, and Federal officials. I called such a conference in conjunction with the annual meeting of the United States attorneys. The conference, which took the name of the Attorney General's Conference on Organized Crime met in Washington on February 15 last year. I might add that meeting was called with the encouragement and approval of the President, and he personally participated in the meeting, and likewise your distinguished chairman, Senator Kefauver, was a very important participant in that meeting.

I now have, Mr. Chairman, the bound copies of the resolutions, the suggestions that came out of the conference and the work of the permanent committees that were set up and have been working on these problems ever since, which I feel would make a very profitable addition to the records of this committee. And I would like to hand a copy to you, Mr. Chairman, and one to each of the members of the committee.

The CHAIRMAN. Thank you, Mr. McGrath, and they will be useful and will be made a part of our record as an exhibit. Of course, it is not necessary to copy them in because they are bound.

Attorney General McGRATH. Not at all.

Senator WILEY. No charge?

Attorney General McGRATH. No charge. You are charged with reading it.

(The documents referred to will be found in the files of the committee identified as exhibit No. 44.)

Attorney General McGRATH. Mr. Chairman, we were faced there, and we still are, with a new phase of an old problem. While the mobsters of the prohibition era of the 1930's have not been entirely eliminated, their leadership has been supplanted. The modern version combines the worst features of big business manipulations with violence and corruption in support of the illegal businesses of bookmaking, slot machines, "policy" or the numbers game, and other forms of commercialized gambling. These operations have been costing the

American public billions of dollars, and they threaten to make a mockery of respectable local self-government.

As your committee has indicated, there is good reason to believe that such operations are tied in with prostitution and narcotics, and with more violent forms of underworld criminal activities.

Bookmaking, slot machines, numbers games, and the like, are illegal in almost every State. It is clear, as fully evidenced by your investigation, that in this modern society, gambling as a private business cannot operate on its present gigantic scale without corrupting whatever it touches. The racket produces nothing. It contributes nothing to society but trouble.

A particularly striking example is the numbers racket, which has been built upon the nickel and dime bets of hundreds of thousands of our poorest people. In more recent years it has moved into offices, shops, and factories, where the money wagered makes it a business estimated to yield billions of dollars annually. At times, employee absorption in the play has so affected production in plants in some localities as to cause company and union investigations, and combined action to drive out those employees who are acting as the numbers runners.

Businessmen's associations have been concerned not only with the numbers racket, but with bookmaking, slot machines, punchboards, and all forms of lotteries. They have found that in communities where the business of gambling openly flourishes the clientele of legitimate businesses do not pay bills, and dissipate their earnings otherwise.

The effect upon children has been devastating, so much so that President Truman was moved to exhort our conference on crime in these words. He said:

We must not permit the existence of conditions which cause our children to believe that crime is inevitable and normal.

One has only to conjure up the memory, not very old, of the newspaper photograph of shame-faced, grief-stricken college basketball players lined up for arraignment like common criminals, to get the full significance of what organized gambling has been doing to the moral fiber of our young people.

The people in this country, State by State, painstakingly invoked a public policy against the gambling business. At one time public gambling and lotteries was an accepted means of raising funds for public use. The State legislatures, and even the Congress, authorized lotteries and chartered private companies to conduct them. The corruption that flowed from the lotteries, marked by the bribery of public officials and the mere trickle of funds into the public treasuries as compared to the huge sums raised, led gradually to the prohibition by the States of lotteries and other forms of gambling.

This policy was capped by congressional legislation in 1890 forbidding the sending of lottery tickets in the mails, and was supplemented 5 years later by legislation forbidding the transportation of lottery tickets in interstate commerce. Still later, in 1934, the Congress forbade radio broadcasting of advertising and information concerning lotteries.

This basic Nation-wide public policy against the gambling business, which grew from local roots, has remained steadfast. The only substantial deviation has occurred in the situation where, by judicial decision or direct legislative action, approximately half the States have made an exception for betting at the track on horse or dog races, usually in connection with the so-called parimutuel system. This has not been accompanied by validation of the professional off-the-track betting, generally described as bookmaking. And, except for a very few States which have allowed local option in permitting the licensing of certain kinds of gambling, I believe we are justified in taking the view that throughout the United States there is, and there has existed for many years, a public policy that condemns organized gambling and makes its activities illegal, makes them criminal.

It was quite apparent that the Attorney General's Conference on Organized Crime, comprising leaders of organizations and individual participants representing the bulk of the law-enforcement officials of this country, were agreed on several things.

First, one of our greatest dangers, causing an increase in crime, is the continued flourishing of organized gambling, about which, as the most lucrative of the illegitimate enterprises, revolve many nefarious activities of the underworld.

Second, in the division of governmental powers for dealing with these criminal activities, the primary responsibilities are those of State and local governments and of State and local police. Nevertheless, adherence to this principle should not detract from the common purpose in combating crime, that all branches of government, Federal, State, and local, shall assist whichever branch is charged with primary responsibility. However, when the Federal Government comes to the aid of the States it should not do so through the creation of a national police force, which, I might add, is something that Director Hoover, who is here with me today, and myself have always opposed.

Third, whatever methods or techniques are propounded in this fight against crime must have the public support. Public officials cannot successfully fight organized gambling unless the psychology of our people is affected with an abhorrence of the kind of crime that it promotes.

In that regard, looking back over the year that has intervened since our conference, I have been more than gratified in the prophecy I then made. I said that—

I think the time is ripe for the drive for public support through press, radio motion pictures, civic clubs, business leaders, churches, schools, labor unions and every form of decent organization. The stage is set for you to capture the public imagination in a stirring campaign to crush organized crime in your communities.

The conference has led to a mounting series of Federal, State, and local investigations, hearings, disclosures, and prosecutions, capped by the work of your committee. The public has been stirred to its depths. The revelations cannot be fobbed off with glib jibes about a little harmless gambling, or with soothing suggestions that since the desire to gamble is found in many persons it must be a virtue which we might as well legalize and permit to flourish commercially. Luckily the public is much too shocked for such sedatives.

As a result of establishing committees to function after the conference of February 15, 1950, programs for local enforcement were evolved. Obviously, there are many strands which must be separately attacked if we are effectively to destroy the twisted cord of illegal activities. Two of these which fell to my lot were proposals recommended by the whole conference, developed in bill form by the subcommittee on Federal legislation, and approved by the executive continuing committee.

The one, an anti-gambling device bill, was designed to prohibit the interstate shipment of slot machines and similar gambling devices except into States where their use is legal. The other, an anti-gambling communications bill, was a proposal to deny the use of interstate communications facilities for bookmaking and other commercialized gambling activities.

Both of these bill were introduced in the Congress on April 4, 1950, becoming S. 3357 and S. 3358, respectively, of the Eighty-first Congress. In presenting each, it was emphasized, and I believe the case was adequately made at the hearings on the bills, that the purpose of the Federal legislation was to support the basic, almost unanimous, policy of the States that outlaws the use of slot machines and similar gambling devices and prohibits bookmaking and like forms of commercialized gambling.

It was further emphasized, and again I think the case was adequately made, that the proposals were not intended to reintroduce into the United States a new prohibition era. Accordingly, under the bills, the Federal Government was not assuming the task of policing and prosecuting gamblers where the primary responsibility already rested with the States and local governments.

The efforts of the conference, and of those who worked on, in furthering these two proposals have so far been successful. The anti-gambling device bill, after extended hearings, before the House Committee on Interstate and Foreign Commerce and alterations by that committee which reduced somewhat the extent of the bill's application, passed both Houses of Congress and was approved by the President on January 2 of this year. The responsibility for administering and enforcing the new law has been placed in the Department of Justice.

Of current interest are the requirements that manufacturers of and dealers in defined gambling devices shall register and file monthly reports on inventory, sales, and deliveries. As a matter of fact, February 28 of this year was the first of the deadlines for filing reports under the act. Hence, it is a little early to attempt to report on the effect of the act or upon the problems of its administration and enforcement.

At this point, I might say, Mr. Chairman, there has been some doubt in the Department of Justice with respect to the intent of Congress in the passing of this law as to whether it meant that the information so filed with the Department of Justice should be generally made public. I have now resolved that decision in my own mind, and I have instructed the Department that these reports are to be made available to the public.

The antigambling communications bill has made much slower progress. For one thing, it presents a much more complicated problem. If the solution is to be the denial of the use of interstate communica-

tions facilities for organized gambling activities, the solution must take into account the fact that, except for those communications which constitute an actual consummation of bets, the information on horse races and sports events, which is essential and useful to bookmakers and gamblers, is equally legitimate news to which the public is entitled by means of the usual press and radio dissemination. Whatever legislation is evolved must take into account the importance of maintaining the constitutional freedom of the press.

In addition, there is a difference of opinion as to whether it is preferable for the Federal Government to become involved in criminal prosecutions of the gamblers who misuse the communications facilities or to make greater use of Federal regulatory power over interstate communications carriers through administrative and similar proceedings as the means of accomplishing the denial of facilities for illegal purposes.

The conference draft of the bill emphasizes and adopts the latter technique. That is the one that I personally prefer.

Thirdly, there was not in existence when the proposal was presented to the Congress an up-to-date verified history of violations of law in the gambling field, or an over-all investigation of organized gambling. Aside from the Federal antilottery laws, which are of limited application, and some recent legislation dealing with gambling ships, the Federal Government had no enforcement function in the field of gambling.

The laws and policies, which by their cumulative effect we might say established a Nation-wide policy against gambling, particularly commercialized gambling, had to be found in the laws and constitution of the several States. In that sense the Congress was approaching the present-day problem just as the Congress approached the lottery problem in 1890, when the so-called national policy against lotteries had been formed in the States and Congress was asked to enact Federal laws to close the loopholes in interstate and foreign commerce in aid of that policy. Hence there was need to establish with thoroughness the factual basis for congressional action.

As a result, you will remember that extensive hearings were held by a subcommittee of the Senate Committee on Interstate and Foreign Commerce. Some of you were members of that subcommittee. While the full committee filed a report and a revised bill based upon the work of the subcommittee, no action was taken by the Senate as a whole or by the House of Representatives. As a matter of fact, it fell to this special committee of the Senate to make the more intensive investigation of commercialized gambling activities, which has now piled up an even stronger case for the passage of a Federal anti-gambling communications bill. The country certainly owes a great debt of gratitude to each of you men for the splendid work that you have done.

As I stated, the antigambling communications bill which I prefer would, if enacted, provide means for denying interstate communications facilities for illegal purposes. I view with a great deal of skepticism the suggestion made that the antitrust laws be used to deal with the apparent monopoly, and the alleged discriminatory tactics of Continental Press Service and its affiliates in the interstate dissemination of gambling information.

It is charged, Mr. Chairman and members of the committee, that Continental discriminates between customers as to prices and the allocation of its racing news service. But I would scarcely think it a proper or expedient function of the Government to attack these discriminatory practices in order only to increase the opportunities for more bookmakers to obtain the gambling information services of Continental, thereby increasing the opportunities for commercialized gambling. If, as this committee has recently stated, Continental has erected for itself a facade of legality which is sham, if the system of distribution and subdistribution is a legal fiction to cover up the knowing distribution of racing news to bookmakers, the force of the Government's blow should be aimed at extinguishing the flow of the service and not at adjusting its proprietors' alleged methods of dealing with competing gamblers.

This brief discussion of the antigambling device law and the anti-gambling communications bill relates to but two parts of the larger joint endeavor of Federal-State cooperation. The Attorney General's conference on organized crime developed other excellent proposals calling for State and local action, which I hope and expect will be carried out. I have available several copies of the proceedings, which I have already presented to this committee, and I hope that you will find them of some value.

In the matter of facilitating Federal criminal law enforcement, I would like to mention briefly some of the ideas of my Department, and perhaps leave the discussion of details to those of my assistants who are present and to be heard this morning.

For years one of the problems which has plagued the prosecuting agencies of the Government has been the matter of perjury in the course of grand jury investigations and the trial of cases. I call this committee's attention to the fact that for several years the Department of Justice has recommended, and there is now pending in the Eighty-second Congress, a proposal which would give Federal authorities the same facility in dealing with perjury as is enjoyed by enforcement authorities in a number of the States, such as New York, where, in the case of a witness making willfully contradictory statements under oath, a case for perjury can be made out by establishing proof of the willful giving or making of the contradictory testimony or statements under oath without proof by the prosecution of which is true or which is false.

I call attention to the fact that under existing Federal law, as defined in title 18, United States Code, section 1621, a person may not be convicted of perjury for making contradictory statements under oath unless the indictment charges and the prosecution proves which of the statements is false and which of the statements is true. And, as you know, under the rules of proof in perjury cases, in order to convict, the falsity of the statement made under oath must be established by the testimony of two independent witnesses or by one witness and corroborating circumstances.

Our proposal, as defined in H. R. 2260, Eighty-second Congress, would make punishable as perjury the giving under oath or affirmation within a period of 3 years, of willful contradictory statements on a material matter, either in proceedings before a grand jury or during the trial of a case; and such perjury could be established by proof of

the willful giving or making of such contradictory statements without proving which one is true and which one is false.

Another difficult enforcement problem has arisen out of the constitutional safeguard against self-incrimination. The fifth amendment to the Federal Constitution provides that no person "shall be compelled in any criminal case to be a witness against himself." The courts have construed this to mean that a person may remain silent if it appears that a criminal charge, no matter how remote, may be made against him on account of any matters concerning which he is questioned. Criminals, engaged in rackets and prohibited transactions of all kinds, have been learning to take advantage of this provision, which was written into our Constitution to protect law-abiding citizens against governmental excesses.

I have been giving considerable study to the problem and have concluded that the law-abiding people of this Nation are as much entitled to protection against criminals and those who would destroy the institutions of freedom as they are to protection against abuse of authority. In the light of the history of the constitutional provision, it is clear that the granting of immunity from prosecution would present a means of obtaining needed testimony from one who might otherwise hide behind the constitutional protection against self-incrimination. If any witness, benefited by immunity, refused to testify, he could then be punished for contempt; or if he committed perjury in his testimony, he could be convicted and punished.

Now I would like the Congress to give thought to the enactment of a law, a draft of which I have prepared, which I want to present to this committee, because of the importance of the subject involved, that it may consider these views and probably adopt this suggestion as a part of its report [handing document to chairman].

Under this bill which I handed you, Mr. Chairman, the Attorney General of the United States would have the authority to grant immunity from prosecution to witnesses whose testimony may be essential to an inquiry conducted by a grand jury or in the course of a trial. I think the authority to grant immunity or to authorize such authority should be centered solely in the Attorney General because he is the official primarily charged with the responsibility for the coordination of all prosecutions under Federal law.

I think it possible that the same principle for granting immunity in appropriate cases can be extended to the cases of congressional investigations, if there can be agreement upon centralizing the responsibility for the grant of immunity in the Attorney General, or in a single congressional officer acting with the concurrence of the Attorney General. Upon the recommendation of a congressional committee, the Attorney General, acting alone or concurring with a designated officer of the Congress, could determine whether granting immunity in a particular case would be compatible with the furtherance of other investigations and prosecutions. The responsibility would be a heavy one. Nevertheless, it might be worth undertaking if it would aid in restoring vitality to needed investigations of criminal activities, without at the same time risking an indiscriminate grant of immunity from prosecution.

In the matter of dealing with aliens in situations causing grave problems of criminal law enforcement, we have suggested to the Congress bills which would increase our ability to control the smuggling

of aliens and the harboring of aliens who have illegally entered the country; and which would authorize the Attorney General to cancel fraudulently obtained orders suspending deportation and to proceed against affected aliens and if such suspension of deportation had not been ordered. Both of these items have been included in the omnibus immigration and naturalization bills now before the Congress. They have also been the subject of separate proposals, and we would prefer that they receive separate attention from the Congress while the slower process of general revision of the immigration and naturalization laws proceeds.

While I have no particular legislative recommendations in the field of tax-law enforcement, I would like to call the committee's attention to the activity of our Tax Division, in view of the committee's interest in the income-tax returns of known criminals. In addition to its major function of prosecuting or defending all civil cases arising under the internal revenue laws, except liquor-tax violations, the Tax Division of the Department is charged with the duty of prosecuting all criminal cases under such laws, after investigation and recommendation by the Bureau of Internal Revenue of the Treasury Department.

The Government's drive against tax evaders has been vigorously pursued. Since July 1, 1946, the Tax Division has received 2,242 cases from the Bureau of Internal Revenue. Of these, approximately two-thirds were prosecuted, and the Department was successful in obtaining 96 percent convictions in the cases prosecuted. Among those convicted and sentenced for cheating the Government out of taxes were professional gamblers or racketeers like Rutkin and Moriarity of New Jersey; Maroon, Holzel, Schuermann, and Lacoco, of Missouri; McCoy and Molino, of California; Potson, of Illinois, and so on. I might add that a number of notorious racketeers and gamblers are presently the subject of pending indictment or investigation for tax evasion.

Your committee has been through a tremendous experience. It has been trailing the path of a festering sore which is eating away at the strong and healthy tissues of our great country. Nevertheless, I am confident that once again we are on the way to producing solutions in the incessant war against crime.

Regarding the continuing of your committee or the establishment of a successor committee of the Congress, that is, of course, a matter in the sole exercise of congressional discretion. For my part, I would like to see this committee continued until it feels, and the Congress feels, it has completely surveyed the work that was set out for it, and as long as you are continuing—you do continue—the Department of Justice will continue to give every cooperation.

I would like you to know that it is my intention, once you have finished your work and made your report, to again reconvene the Attorney General's Conference on Organized Crime. And I repeat that this conference consists of representatives of the attorneys general of the States, the municipal law officers, every agency of State and local government, that has to do with law enforcement. I intend to reconvene that conference and submit your report to it and ask its committees to go to work on it. I know that the conference can profitably study this report, and I am sure that every municipal, county, State, and Federal official who has anything to do with law enforcement

will benefit from and can utilize its substance and its recommendations. In the light of your investigation there is much to be done, on a continuing basis, by the hundreds and thousands of sincere, hard-working enforcement officials who may have been hampered in the past by the ineptness or the corruption of a few.

However, I have some doubts on the score of establishing a permanent national crime commission. Such a body might tend to derogate from the basic State and local responsibility for criminal law enforcement and lead to the creation of a national police force, which Director J. Edgar Hoover of the FBI and myself have always opposed.

I fear, as does Mr. Hoover, that a national police would not only cause deterioration of the highly effective investigative and enforcement work now performed by the FBI in those fields which are basically Federal, but a national police would also endanger our cherished liberties.

I might suggest that it would not seem inappropriate for this committee to recommend that the governors of the several States be requested to convene annually, through appropriate officials, a group within each State which would constitute a board of inquiry into law-enforcement problems.

Among such groups there might be an interchange of information with each other and the Federal Government.

In this connection, I would like you to know that I am keeping grand juries available in each United States attorney's district for the receiving of complaints and violations of Federal laws, and I cannot help but believe, Mr. Chairman and members of the committee, that in the matter of the so-called racketeers, those who are attached to illegal enterprises, as a matter of course they would come under scrutiny once a year when a grand jury would convene to hear what complaints the governor, the district attorney, or the citizens might write in as to the matter, or anything that may be sent in to the foreman of the grand jury, and if they knew as a matter of course that there was going to be a look-see in every Federal district in this country once a year, I think our problem would be solved.

As your committee rediscovered in its travels, we are a big, sprawling country. General policies, which call for acceptance and action in all of our communities, develop slowly. Nevertheless, the genius of our governmental system has been its flexibility in allowing for the interplay of both national and local forces.

Again, as in earlier situations, to the extent that the forces of evil have grown bigger than any one community, the power and the aid of the whole country, acting through the National Government, should be summoned.

But, at all times, the consciousness of the evil, the labeling of it for what it is, the building of moral strength to combat it, and the will to eliminate it, must come from the grass roots—from the homes, the schools, the churches, the community organizations, and the local governments of America.

I know that the committee would now like to hear from Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation.

I hope and I believe that he agrees with me in most of the sentiments I have expressed, Mr. Chairman.

However, at this time I would like to use this occasion to clear up one situation that seems to have caused a good deal of misunderstanding toward placing the Department of Justice in a false position, and I am going to ask you to let me make a statement that I hope may clear up once and for all the deportation status of Mr. Frank Costello.

The records of the Immigration Service of the Department of Justice show that Frank Costello was born in Italy in 1891, and that he entered the United States in 1895, at the age of 4 years; he married an American citizen in 1914, and he was naturalized in 1925.

The records also reflect that Mr. Costello was arrested on several occasions between 1908 and 1939, only one of which, a charge of carrying a concealed weapon, in 1915 resulted in a conviction.

The pertinent section of the immigration laws, 8 United States Code 155, provide that an alien shall be deported if he is—

sentenced to imprisonment for a term of one year or more because of conviction in this country of a crime involving moral turpitude, committed within five years after the entry of the alien to the United States, or who is hereafter sentenced more than once to such a term of imprisonment because of conviction in this country of any crime involving moral turpitude, committed at any time after entry.

Thus it is obvious that even if Mr. Costello were still an alien, he could not be deported under existing law, since he was neither sentenced to imprisonment for more than 1 year for a crime involving moral turpitude committed within 5 years after his entry into the United States, nor has he been so sentenced twice for such a crime at any time since his entry.

It should also be emphasized that, contrary to an apparently common misunderstanding of the law, denaturalization itself, regardless of the ground upon which it may be based, is not a ground for deportation under the law.

Our Department has been very diligent for a matter of years in this matter, and we have given this information to the press time and time again, and yet they deliberately try to make it appear that somehow or other the Department of Justice has some means by which it can denaturalize or deport Mr. Costello, and I wanted to place this in the record once and for all, so that the public may know what the true fact of this particular notorious case is.

The CHAIRMAN. Thank you very much, Mr. Attorney General.

I understand that you have a Cabinet meeting at 11 o'clock.

Attorney General McGRATH. Well, Mr. Chairman, I asked to be excused from this Cabinet meeting, because I prefer to stay here while Mr. Hoover testifies.

The CHAIRMAN. Senator O'Connor, do you have any questions you wish to ask?

Senator O'CONNOR. There are just one or two questions, which I think the very able and capable Attorney General might add and which would help us at this time.

The CHAIRMAN. Go ahead.

Senator O'CONNOR. Mr. Attorney General, in your very interesting statement you mentioned the fact that the known criminals of the 1930's, for example, have changed from their methods of operation, or have given away to new leadership.

In other words, to use your words, you state that their leadership has been supplanted.

I think it would be of interest to us if you could give any detailed explanation of what legalization or administrative procedures have been adopted to suppress the new leadership which has cropped up, if you can.

Attorney General McGRATH. It has passed from offenses contemplated by the Federal law in the prohibition era, in which the Federal Government had jurisdiction, and this leadership has now gone into a field in which the Federal Government has no jurisdiction. So they are operating under the aegis of the laws, or the lack of laws, of the several States, with no jurisdiction worthy of the name vested in the Federal Government. That is what I meant to convey.

There are probably the same leaders who were involved in the prohibition era who have now moved into these other fields. But during the prohibition era, the Federal Government could do something about it, because that came under the Federal law, and we can do very little now, because we have no laws with respect to gambling.

Senator O'CONOR. Yes.

Mr. Attorney General, while you very convincingly stated that the primary responsibility remains in the State and local enforcing officers, do you think there are situations which have evolved where State lines, by reason of rapid transportation or communication, are no longer the barriers they might have been before, that might call for Federal assistance or Federal communication jointly with the States?

Attorney General McGRATH. I certainly do think so. I don't think the States can handle this problem alone, and that is the purpose we had in mind when we presented the communications bill and the gambling devices bill, and I think there are other things that we may well do as a result of the disclosures that this committee has made, but those are two of vital importance, plus the suggestion that I made, that as a matter of law, and as a matter of course, there would be a convening of a grand jury in every judicial district, Federal and State, at least once a year, that could hear the complaints of the citizens.

I believe that if that took place there would be very few people risking the dangers that go with joining up in illegal enterprises.

Senator O'CONOR. Do you think in that immediate connection that the convening of 48 different boards of inquiry, as you describe them, would lead to any other than a very uniform system that may be attained if Federal assistance were given, rather than have each governor act independently, and possibly at variance, one State with the other?

Attorney General McGRATH. Each governor must act. He is charged with the enforcement of the laws of his State, and these violations you men are dealing with and talking about are primarily violations of State laws, so the governors must act.

Senator O'CONOR. Well, take the violations which have been shown by this committee, and they have been shown to be quite widespread and an integral part of which has depended upon wire service, as you have described it, have you any other suggestion that you may give us as to how that could be curbed or how that evil may be eradicated?

Attorney General McGRATH. I feel it could be effectively curbed and eradicated by the passage of the bill that the Department of Justice has presented to the Congress.

Senator O'CONOR. I think that is all, Mr. Chairman.

First, Senator, just permit me one further suggestion in that regard.

Mr. Attorney General, in regard to the Costello case that you referred to in your concluding statement, you point out, of course, the legal situation which prevents deportation except under very specified circumstances. Is there anything that you care to volunteer—and I do not wish to press the matter under inquiry—whether, for example, perjury might be one of the crimes where, if a conviction is secured on that, and then you secure another conviction on perjury, might that permit deportation?

Attorney General McGRATH. No. In the first place, I would not be able to say that perjury would be regarded as a crime involving moral turpitude. It may be in the opinion of some judges, and I don't know what the Supreme Court would say. You not only have to have one conviction, but you must have two; he must be convicted of two separate convictions, each of which, of course, involves moral turpitude.

Carrying a concealed weapon is not a crime involving moral turpitude, so you can see the extent to which the courts have gone in interpreting what is and what is not moral turpitude.

Senator O'CONOR. Assuming he is convicted of perjury, and then is brought up on another perjury case, and convicted, you would not say that it is out of the question, but you do indicate that there is doubt as to what a court would do?

Attorney General McGRATH. It is a legal question for the courts to decide.

Senator O'CONOR. I see.

Attorney General McGRATH. But we would have to bring two separate cases of perjury and have each of them sustained up through the Supreme Court.

Senator TOBEY. Bearing on that point, the Senator from Maryland asked you, and you have been addressing your remarks on the subject of deportation, and I now turn to the matter of denaturalization.

This man in his application perpetrated, as I see the record, several frauds on the Government of the United States. One was the fact that he did not give all of the aliases he had used, and he did not state in the application that he had been arrested, and his two sponsors said that they were in the real estate business, when they were bootleggers.

Now, in the case of denaturalization, wouldn't that be evidence to produce on the lines of denaturalization and not deportation? I am not a lawyer, as you know.

Attorney General McGRATH. I thought we were considering Costello's case—of how we could get into the position of deporting him. If the Government could prove all of these things that you say, it might succeed in eventually getting a judgment of denaturalization, but that still would not permit deportation.

I again call your attention to the fact that this naturalization took place some 25 years ago, and some of the Government witnesses that would have to testify to what he said and what he did not say would not be available to the Government.

We have considered that very, very carefully, and I think if you will address your questions to Mr. McInerney, when he takes the stand—he is head of the Criminal Division that had this matter under consideration—he can corroborate what I have said to you.

Senator TOBEY. Well, you have been speaking about deportation. Is there any provision in the law for delousing?

Attorney General McGRATH. I have never seen any, Senator. Probably there should be.

Senator TOBEY. I think so.

Senator HUNT. Mr. Chairman.

The CHAIRMAN. Senator Hunt.

Senator HUNT. I think the bill that you prepared for the Eighty-first Congress, and on which there has been no action, primarily made it illegal for the transmission of interstate racing information and things of that kind; is that correct?

Attorney General McGRATH. That is right.

Senator HUNT. Now, of course, there was a penalty in the bill. Who was the penalty assessed against? Was it against the party sending the information, or against the company carrying the information?

Attorney General McGRATH. It was against the transmission of the information by the carrier.

Senator HUNT. By the carrier?

Attorney General McGRATH. Yes.

Senator HUNT. That would be against the Western Union or the American Telephone & Telegraph Co.; is that right?

Attorney General McGRATH. That is right.

Senator HUNT. I see.

Attorney General McGRATH. And if, Senator, it were called to their attention that a certain customer of theirs was sending this information illegally, they would then have an opportunity to withdraw their services from him, exactly the same thing that I believe this committee has in mind with respect to the use of telephones. When we call it to the attention of the telephone company that a subscriber is using the instrument for illegal purposes, the telephone company takes the instrument out, and this would work in exactly the same manner, so that nobody would be permitted to send this information except to legitimate sources.

Senator HUNT. One other question, Mr. Attorney General: There is some contention, and it is on the part of some Members of Congress, that in passing such an act you would be infringing, or you would be usurping, States' rights.

Now, don't we have several precedents, such as the Dyer Act, the Lindbergh Act, the Narcotics Act, or the White-Slave Act, that are exactly in the same category?

Attorney General McGRATH. I don't think there is any legal doubt worthy of mentioning with respect to the legality or the constitutionality of the proposal that we have made. It would not be an infringement upon States' rights in any respect.

Senator HUNT. What observation do you wish to make with reference to this particular recommendation of yours on the freedom of the press?

Attorney General McGRATH. We have been very careful to protect the freedom of the press. Any legitimate newspaper would have the right to subscribe to this information and receive it.

Senator WILEY. Mr. Chairman.

The CHAIRMAN. Senator Wiley.

Senator WILEY. I want to compliment you, General, on what I thought was a very fine statement, and also an inspirational statement. I think that the public reaction to it will be right along the line with the public reaction on the proceedings, which means that the people in high places are sensing the danger that results from the racketeers, these termites of morals, and so forth.

Now, I was interested in your last statement, particularly where you said that any legitimate person was entitled to the information—the press, for instance.

The other day a man from my own State—Brodson, by name—made the statement that if we passed these laws he thought he could figure out within 30 minutes how to get around them.

Now, in order that we can see the situation right head-on, I think I can see how they can get around it very easily.

You have just stated that the press had a right to publish the information. The news comes from a track out here in Maryland, across the State line and District line. That might be prohibited, but it might be sent to the Washington Post or the Washington Star and be published.

Can you restrict that?

Attorney General McGRATH. Senator, the success of bookmaking depends upon the constant turn-over of money immediately following a race. If information is only available once a day on what horses are running, or what the payoff has been, bookmaking would not be a profitable venture.

For the bookmaker to succeed, he must have the information as to who won and what the amount of the payoff is to be within minutes after the race has been won, so that the person who has done the betting with the bookmaker may then come into the next race and bet over and over again. So, the delay that is provided in this bill, in our opinion, would effectively sound the death knell of illegal betting.

Senator WILEY. I was interested in how you knew so much about it.

Attorney General McGRATH. Well, we have a race track or two race tracks in my State, and we have some bookmakers, I guess. I don't know. I have never bet with one of them, Mr. Chairman, but I think I know something about the way they operate.

Senator WILEY. As to their modus operandi?

Attorney General McGRATH. Yes.

Senator WILEY. All right. I was a little facetious, I will agree.

We developed in these hearings that there has been quite a series of violations in places of the tax laws, and there has been in the Washington papers and elsewhere rather serious attacks at times upon the United States attorney as not being diligent in prosecuting tax offenders.

We had instances that developed in California, where the Internal Revenue Bureau, as you will remember, right there, folks inside the Bureau for a long time had been, well, getting by with highway robbery, so to speak.

I assume that what you say about the need for public conscience to be aroused also applies in certain places for public officials' consciences to be aroused; correct?

Attorney General McGRATH. That is correct, sir.

Senator WILEY. And I assume also, from what appears from correspondence and telephone calls and telegrams, that people all over the Nation will be really aroused by the activities of this committee.

Now, what I mean to get at, General, is this:

Why was it necessary for this committee to perform that job, when you have got prosecuting officers, State officers, and others all over this country to arouse the people and get action? Why was it necessary? Why wasn't it done before? Do you have any suggestion?

Attorney General McGRATH. I can only say, Senator, that you are dealing here with a field that up to this time has not been the primary concern or any legal concern of the Federal Government.

The country was allowed to drift into laxity, as a result, I suppose, of the tremendous increase in legalized betting within the last 10 years. This is a new problem.

If you go back in your mind to 10 or 15 years ago, there were very few race tracks around the United States. Since that time more than half of the States have provided for legalized betting, and this is an evil that has grown out of the fact that people have been made conscious of how to bet on horses.

I daresay, if any member of this committee can go back 10 years in his mind, he would not know how to bet on a horse; you would not know what it meant when you said "Win," "Place," "Show," or any of those other things. Yet, there is no citizen in the United States today that does not understand these terms.

So, it is an evil that has grown up out of a new social condition, shall we say, that has been created in the United States.

Now, whether it is a wise policy to have legal betting on this side of the fence and the same thing to be illegal on the other side of the fence is a matter of question.

The States have seen fit to do it. They have set it up that way. And our people, for the most part, don't feel there is anything very morally wrong if they go into the corner periodical store and put \$2 on a horse. It is not morally wrong to them whether they do it that way or go out to a race track and pay an admission and put it through a pari-mutuel machine.

Senator WILEY. Well, if I get the gist of your remarks correctly, you confined it to horse racing, but my inquiry was more general. Do you feel there has been a general moral breakdown in many directions?

Attorney General McGRATH. Yes; I think so.

Senator WILEY. I wanted to find out, because also it has appeared in Washington that there has been a tie-up between communism and crime. It is charged that the Communist cells in New York use narcotics as a means for doing their nefarious work, and I wonder if you have any comments as to whether the Communist movement in our country uses gangsters in labor-union matters, labor-union violence; No. 2, narcotics; and No. 3, any other illegal instruments?

Attorney General McGRATH. The best way I could answer that would be to say that we can prepare for this committee a name-check against—for instance, in the narcotics field, we could take all of the convictions for violations of the narcotic laws back over a period of years, and we could check those names against our name file of Communists, and in that way I could give you an accurate statement as to whether more Communists used narcotics than other types of people.

I think we probably could do the same thing in certain other fields of violation of the criminal laws, but certainly in the narcotics field it would be a very simple matter for us to check the names of known violators against our known names of Communists, and I will see that that is done.

Senator WILEY. I agree with your conclusion with relations to gambling that there has been more or less a hands-off attitude about it, and I cannot understand why you have instances in Government, such as we have developed lately on the Washington front, and where we developed as in San Francisco in the Internal Revenue Bureau there. I cannot understand why there is not a better check in Government against these very things.

Attorney General McGRATH. Against tax evasion?

Senator WILEY. What?

Attorney General McGRATH. Against tax evasion?

Senator WILEY. Yes; not only tax evasion but conspiracy between officials in the Revenue Bureau and others outside. In that case they were buying stock, you will remember, to apparently overlook failure to make certain returns, and so forth.

Attorney General McGRATH. I think the Senator is stating a conclusion not fully warranted by the facts of the situation.

Now, it may be that once in a while we will get a disloyal public servant out of the millions of people that work for the United States Government. That, I suppose, is to be expected in the normal course of events. But, by and large, I think it is a pretty splendid record. I have cited some figures here about the number of cases that have been sent to the Department of Justice in the tax field, the number that we have prosecuted, and call attention to the committee that there probably is no class of cases that we have that are more difficult and more technical than tax cases.

Now, every case that is sent over to us from the Bureau is not necessarily one that we can prosecute. They do not pass on the legal questions involved, but they merely pass on the fraud; that there was a fraud that involved a large sum of money, and that it was intentional.

We are then faced with the problem of determining whether or not we can muster sufficient legal evidence in order to sustain a conviction; and, if we feel we cannot do that, then we do not indict.

The fact of the matter is that over three-quarters of them that have been sent over we have secured convictions on—as I say, in 96 percent of the cases—and then there is this other percentage where we do not prosecute for one reason or another, as, for instance, where witnesses die. Taxpayers sometimes are not indicted because of the condition of their health. We have a rule in the Department that, if representation is made that an indictment or a trial would be apt to result in the death of the person involved, we have the Public Health doctors make an examination of him. We get other medical examination, and we submit that to the court; and, if in the judgment of these doctors and the court we should not proceed, then we do not proceed.

So, there are a percentage of cases that fall into that category.

In other words, the Government tries to be a little humane in dealing with these matters, and merciful, as well as just; and I think if the committee will take advantage of my suggestion and come down and look over the records in the Tax Division, or in any other division, and

pick out any cases that you want, I am satisfied that we can give you a satisfactory explanation of the status of that case.

Senator WILEY. Well, I have not meant my remarks to be in any manner a reflection upon the vast group of government employees, but neither do I accept the statement to mean that after developments here in Washington, and after our finding what we have throughout the country, that all is well.

Attorney General McGRATH. Senator, would you give me the name of the cases that you have in mind? I can probably enlighten you a little bit about them.

Senator WILEY. Can you tell us what has happened since we visited San Francisco?

Mr. FORD. Indictments were returned out there last week in the case you are talking about.

Senator WILEY. Then my question is, Why weren't they discovered before the Kefauver committee went out and discovered them?

Attorney General McGRATH. They were. We probably gave you the names of the cases we were working on, and that is probably how you discovered them.

Senator WILEY. No; they came out of the California Crime Commission.

Attorney General McGRATH. We have the report of that commission, and we have been working on it.

Now, if we wanted to be coy about this matter we could have, of course, sat back and just furnished the committee with these names. We have given the committee the names of all the major cases in this field that we have been working on.

It takes time to develop these cases and get our indictments, and the fact that we did not get indictments before you happened to get into that particular locality should certainly be no reflection upon the Department of Justice.

Senator WILEY. Well, I am not trying to reflect upon the Department, but I am trying to understand why a good many of these things had to be discovered by this committee.

If I am wrong about that information, I shall make a statement once I have checked on it.

Attorney General McGRATH. Well, the fact of the matter is, this committee has not made a single complaint to the Department of Justice as yet, and we don't expect that you would be able to. The committee has not turned over to us any information whatsoever indicating that we should take action against any particular individual. I believe that is correct, Mr. Chairman?

Senator WILEY. The statement—

Attorney General McGRATH. I am corrected by my assistants here, who say that in one or two instances our attention was specifically called to certain situations.

Senator WILEY. Well—

Attorney General McGRATH. I don't believe that the committee has had an opportunity yet to compile the information, either, in order to turn it over to us or to the Treasury Department.

Senator WILEY. I am sure that my questions did not imply anything of that character. We have not filed our final report. But let's go on assuming that the Crime Committee were to expire on March 31,

I assume from your statement that whatever recommendations are made that it be followed through by the various district attorneys, wherever it should be followed through. They have not started action out in California, but they will now, you say they have got indictments out there. What I am getting at is, you agree with me fully that aroused citizenry is a necessary thing, but also an aroused public service corps is also a very necessary thing.

Now, I think you said you did not agree with the idea of establishing a permanent commission, and I must say that that has been my own personal view for some time, although I agree with our very fine chairman, Senator Kefauver, who feels it should be a commission.

Now, I think—have you any reason, other than that that you have stated in your paper this morning, why you feel a congressional committee should be continued or utilized instead of a commission?

Attorney General McGRATH. No; there is no other reason. I am addressing myself now to the desirability of a permanent Federal commission on crime.

Now, the belief of the Department, supported by Mr. Hoover, is that such a commission would tend to relieve local communities of their responsibilities in a great many fields of criminal law enforcement, and place it upon the Federal Government that is not equipped to handle the job, plus the fact that inherently we are very fearful that anything that tends toward a national police force can seriously be used by people in Government to jeopardize our liberties.

Senator WILEY. Don't you think also—

Attorney General McGRATH. I think if the States were aroused to do their part of the job, and we gave them all the cooperation we possibly could, through legislation and the assistance of our prosecuting officers, as we do now, through the Bureau, we give them a tremendous amount of assistance, I think the job can be done within the existing framework of the Federal-State relationships.

Senator WILEY. Don't you think also that the investigating function, in order to seek to get what should be done in the nature of legislation, is a very important function for Congress not to delegate away?

Attorney General McGRATH. Right.

Senator WILEY. And it is your conclusion, as I get it from your statement, that essentially this is a local problem, this so-called gambling matter, that it could be handled if the people in the States were aroused, and if the officials of the States were aroused, they could very well handle a great deal of this gambling, illegal gambling that is going on?

Attorney General McGRATH. I believe that is so, Senator.

Senator WILEY. And if the people were aroused they could see to it, where in those States they have legal gambling the legislature could make it illegal?

Attorney General McGRATH. Oh, yes; the legislature could abolish gambling altogether, if it wished to.

Senator WILEY. The whole thing resolves itself into what I think you said before, which indicated that there has been public sense, they have simply let the thing slide along in this as they have in many other matters.

Attorney General McGRATH. I think it is a condition that, a social condition that has grown upon us. I think that the work of this

committee has for the first time brought it to the public consciousness.

Senator WILEY. I want to ask just one or two other questions, and that is in relation to Costello. I am very thankful to you for that very fine legal explanation. Perhaps I have been guilty, among others, in not understanding why action was not taken, and I think you at least have cleared up in my mind the present status of the law, and why action has not been taken.

Have you any recommendations as to changing the law so that cases like this could be handled?

We have in many of our States certain statutes that make it more or less a crime when men continue to live on the edge of the law, violating this and violating that.

Now, we have got here a general condition that everyone admits is very serious. He just has not been caught. He just has not been, the officials in the State have not gotten hold of him. All the Government agencies have lacked something, apparently, in the sense of cooperation in bringing him to justice.

Now, then, my question is: Should the law and could the law be amended so as to handle a situation like this without interfering with the general liberties of our people?

Attorney General McGRATH. The Senate has a bill which we presented to it, S. 716, that would provide upon conviction for any felony, that that would be grounds for both denaturalization and deportation. Now, the Senate could pass that bill, and the situation could be handled, assuming you could get a conviction.

Senator WILEY. Do you think there should be greater cooperation and coordination between the Federal Bureau of Investigation, the Narcotics Agency, and the Treasury Department?

Attorney General McGRATH. Well, we have the best expert in the world sitting here right alongside me, and I wish you would ask him the question.

The CHAIRMAN. Yes; I think as soon as we can, before our time runs out, we should hear from Mr. Hoover. I do not want to cut off any committee member. Then we could direct our questions to either Mr. Hoover or Mr. McGrath, if you can stay with us.

Attorney General McGRATH. Yes; I intend to stay with you.

The CHAIRMAN. I did not mean to interrupt any questions you had to ask at the time.

Senator WILEY. That is the only question I am asking the Attorney General, whether there should be greater coordination between the FBI, the Bureau of Narcotics, the Treasury Department, Secret Service, and so forth.

Attorney General McGRATH. My personal opinion is yes, there could be, Mr. Chairman. I think that these are separate investigative agencies, and we sometimes have the difficulties that grow out of little internal management, internal jealousies. We try to do the best we can with them, and I would not advocate, however, a central investigative agency that would encompass all these activities. I think they should be left within their respective bureaus.

We are constantly working, trying to improve our relationships with the different organizations.

I do not want to leave the impression that it is a major problem, but I would be less than frank if I did not say that I think improvement can constantly be made in these relationships.

Senator WILEY. Just one other question, Mr. Chairman, because I am seriously concerned about the constant failure of liaison in government. We don't have it at times here. That is why I ask if you feel there should be more coordination, why should there not be worked out a proper liaison between the departments that I have mentioned to the end that you do get more effective results? That is my own thought, and I want to thank you, I will call you Howard, this time, because you worked with me on the Judiciary so effectively, when I was chairman, and nothing that I have said I trust will be interpreted as meaning to be any slightest reflection upon your ability and integrity as a great American. You have done, I know, a grand job, as Senator, and also as Attorney General, but I am seriously concerned because of what you have so well stated before, a lack in our own citizens, officials, and also in the public generally, to live up to those high standards of morality and efficiency that is so needed in these trying times.

Thank you very much.

The CHAIRMAN. Senator Hunt has one more question, a short question before Mr. Hoover testifies.

Senator HUNT. Mr. Attorney General, I want to direct your attention to an activity on the part of the Federal Government that you have been cognizant of ever since you went into State government, and that is the practice of the Federal Government of making it considerably more difficult for local enforcement officers in enforcing State laws with reference to slot machines, when the Federal Government will come in and say to any person, "Give us \$100 and we will give you a tax stamp," which so far as the Federal Government is concerned gives you full authority to go ahead and operate a slot.

Attorney General McGRATH. It was a terribly inconsistent situation, while it existed, Senator. I am advised it has been changed, but I must throw the ball back to Congress, because Congress is the one that wrote the law that provided the \$100 tax on the slot machines, and the administration or the Government, as you refer to it, is merely enforcing an act passed by the Congress.

Senator HUNT. Mr. Attorney General, I am aware of that fact. I just wanted to call to your attention again to the inconsistency of the situation, with the hope that you would be able to curtail it, or that you would make a recommendation to Congress that would stop it.

Now, one other question, Mr. Attorney General, and without reiterating what I have said with reference to slot machines, for \$25 anybody in the United States can get a Federal liquor tax in prohibition territory or area, isn't that again a silly inconsistency on the part of the Federal Government, and has anything been done with reference to that?

Attorney General McGRATH. There are many inconsistencies, Senator, in this taxing policy. The Government is against the general policy and, undoubtedly, this is one. I, probably, am not as familiar with it as my deputy, Mr. Ford here, because where I come from, why, it is legal to buy a drink and it is legal to bet on horses and a lot of other things.

Senator HUNT. That is all.

The CHAIRMAN. Mr. Hoover, do you solemnly swear the testimony you give this committee will be the whole truth, so help you God?

TESTIMONY OF J. EDGAR HOOVER, DIRECTOR, FEDERAL
BUREAU OF INVESTIGATION

Mr. HOOVER. I do.

The CHAIRMAN. We appreciate your coming before the committee today, and I want to say that throughout our travels about the country we have found uniformly respect for you and the Federal Bureau of Investigation, both on the part of law-enforcement officers and the people, generally. And, also, that, by and large, the laws that you have to enforce, such as the Dyer Act and the Mann Act and the National Bank Robbery Act and others, that we find there has been very good enforcement of the laws of which you had jurisdiction.

We are glad to have you here for your counsel and advice to this committee which we may refer to the Senate as a whole for improvement in the general field of law enforcement and in our combined effort to combat organized crime in interstate commerce.

Thank you, Mr. Hoover, for coming. You have a prepared statement, and following Mr. Hoover's statement the committee members and counsel, up to the limited time we have, may direct questions either to Mr. Hoover or to Mr. McGrath or Mr. Ford, or any of the other distinguished gentlemen we have with us, but I do hope that we can limit our questions to broad matters of general policy, rather than to the intricate legalistic phases of legislative proposals which are before us.

Now, Mr. Hoover.

Mr. HOOVER. Mr. Chairman and gentlemen of the committee, the members of this special committee of the United States Senate can take pride in its accomplishments during the past few months. You have developed facts which brought out into the open entanglements between the underworld and the upperworld, and unholy alliances between the criminal element and officialdom which established a shocking disregard for law and order.

I know of no other force in American life that can render such a salutary service as a congressional investigative committee in exposing conditions which are inherently evil. The broad powers vested in such committees give them opportunities not available to the usual investigative process. The very nature of these powers also places upon such committees a responsibility of considerable import.

Apart from securing information to aid in the legislative process, congressional committees make their greatest contribution by focusing the spotlight of public opinion upon those forces hostile to the best interests of our country.

The work of this committee to date has made great progress in awakening a public interest and a public consciousness in the widespread ramifications of the underworld. The committee has not been free from threats of violence and intimidation, but you have gone ahead with determination objectively and fearlessly. Your hearings have been observed by millions of Americans on television screens and they have seen for themselves the arrogant defiance of those who conceal their endeavors and hide behind the protection of the Constitution for which they have so little regard. This awakened interest augurs well for the future. I hope it will result in increased zeal for civic responsibility. May I also express the hope that this committee, under its particularly very able chairman, will continue

its unbiased nonpolitical exposure of the criminal element which has polluted all too many communities of our Nation.

There is nothing pleasant in any discussion on the subject of crime. Crime exists because of failures—failure to prevent delinquency and failure to correct delinquency. Beyond that, there is a failure to prevent crime, a failure to detect crime, a failure to prosecute crime, a failure to properly deal with crime and a failure to take the profit out of crime.

Since 1940 the population of the United States has increased 14.3 percent while serious crimes increased 18 percent. Last year, a total of 1,790,030 serious crimes were committed, or an average of one serious crime every 18 seconds. In an average day last year 301 persons were feloniously killed or assaulted; 146 robberies were perpetrated; 1,129 places were burglarized; 468 cars were stolen; and, in addition, 2,861 thefts of other types were committed. Those figures reflect that the American people, day after day, are paying a bitter toll in death, personal sorrow, and financial loss, to the criminal. In 1950 every major classification of crime, except robbery, showed an increase.

The experience of observing the growth of crime in the prohibition era, its sharp decline in the mid-thirties and now its gradual rise convinces me that crime is a problem to be met and solved in each city, town, and hamlet. In facing this task one thing is certain—in those communities where public opinion is enlightened and aroused, crime is at a minimum. In such communities, crime has not become entrenched; it does not enjoy unholy alliances with those in public office; it does not have the protection of the very forces who have a sworn duty to exterminate it and it is unable to secure recruits from established incubators of crime.

Law enforcement is only as effective as the citizens demand. If the community, as a group or as individuals, does not desire effective law enforcement, then there will not be effective law enforcement. That proposition has been abundantly proven and is fundamental. The ultimate responsibility for a crime-free community rests at home—with the citizens of the community itself—when they assume their responsibility.

The American system of law enforcement is based on the mutual cooperation of National, State, and local agencies, each working within the democratic framework of government. Time after time, the strength and validity of this system have been demonstrated. In the 1930's, dangerous criminals, who brazenly flaunted the orderly forces of Government, who had a vast network of aid and assistance, who were glorified by sentimentalists, were finally brought to justice when the American public became sufficiently aroused to demand and support the campaign which brought about their destruction. During the war, the manifold problems arising from the national defense of the Nation were efficiently and expeditiously handled in this manner.

This Nation has no need for a national police force. Cries frequently are heard that America, to meet "the problems of the day," must create a master, over-all law enforcement agency, whose authority would extend to every nook and cranny of the Nation. I disagree vigorously with this attitude. My experience has demonstrated that the present system of law enforcement, National, State, and local, is the best system. The peace officer must be the servant of the people—

protecting their interests and responding to their will. The law-enforcement agency must be an integral part of the community. Otherwise, the American system of democratic government would be quickly defiled.

There can be no concealment of the fact that law enforcement has not always performed at peak expectations. The fault is not in the system but in the way it works. The American people, if they desire competent, efficient, and effective administration of justice, must be willing to provide financial means; moral support; and a practical realization of the responsibilities of citizenship. A police department understaffed, underpaid, and ill-equipped, cannot properly fulfill its duties. Lack of public interest may allow a small minority of peace officers, aided and abetted by corrupt politicians, crooked and expedient prosecutors and underworld "fixers" to bring shame upon the profession. Action is needed, not to revamp the fundamental structure of American law enforcement, but to strengthen, in technical skill, character, esprit de corps, and moral stamina, the existing institutions.

I think the time has come for some straight thinking on the subject of responsibility. All too frequently in the past few years there has been too much "buck passing" to the Federal Government. Too frequently, when pressures mount in local communities by reason of dissatisfaction with conditions, local leaders, and State officials, either to escape the wrath of citizens or to conceal their own inability to cope with situations, have advanced the alibi that "This is a job for the Federal Government." The time has come to take stock. The Federal Government can never be a satisfactory substitute for local self-government in the enforcement field.

The experience of people in other lands who suddenly found themselves living in a totalitarian state discloses that always the trend started with people in local communities being unable or unwilling to take care of or assume responsibility for local situations. I hope that day never comes to America, as our way of life is too precious to be supplanted by either a Socialist, Fascist, or Communist form of government.

The mere fact that conditions have been exposed which are shocking, to say the least, is no reason to depart from our traditional concepts of constitutional government. In the deplorable conditions which have been exposed by the committee, it was not the system that was at fault but the men who were responsible for its proper functioning and, more important, the citizens who failed to raise their voices or to exercise their responsibility at the ballot box.

Federal law enforcement, however, has a role to play which is a vitally important one. A Federal law enforcement agency must always be willing to lend all possible assistance to local agencies without usurping local functions, prerogatives or jurisdiction. That always has been and is today the policy of the FBI. The Federal Bureau of Investigation has the responsibility for investigating alleged violations of certain specified Federal criminal statutes. That responsibility is definitely fixed and is well known. In the event we fail to perform our duties incident to such responsibility, the public would know what agency to hold responsible.

In the absence of a specific Federal statute, the FBI is not authorized to conduct any investigation of what is strictly a local violation.

Yet, there are many services of a coordinating and clearinghouse type which the FBI is able to offer for local law enforcement officers in connection with the enforcement of local laws. The FBI laboratory receives evidence from local law enforcement officials and its scientists make a study of the evidence submitted and prepare a report of their findings. In the event testimony is desired, the scientists will testify in the local courts and these services of examination and testimony are available to all police agencies throughout the entire country without cost.

The FBI Fingerprint Identification Division is another service established by Congress to assist local officers. This service includes the furnishing of criminal records based upon fingerprints, latent fingerprint identification, the filing of wanted notices for individuals whose apprehension is desired, the identification of unknown dead, the location of missing persons and similar identification services.

The facilities of the FBI National Academy are available to local, county, State police agencies for select representatives to receive training as police executives and as police instructors and upon request, assistance will be given in local police training schools throughout the United States. These are some of the FBI cooperative services which are available and which are made use of by the local police throughout the country on a voluntary basis.

There is no mystery about good law enforcement. It merely applies to crime detection the same principles of efficiency necessary to any well organized business. Regardless of the potential effectiveness of law enforcement agencies as such, they are powerless to give their full measure of protection unless properly supported. Your committee has inquired into the reasons why crime exists in those communities where you have found it thriving and prospering. The people of each community need to do as you have done—endeavor to seek answers to such questions as: What has happened to the important cases which were in the newspaper headlines a few months ago? Were they vigorously prosecuted, or were the felons allowed to obtain delay after delay while witnesses disappeared, and the final courtroom scene became a mere mockery of the law? Were juries tampered with, witnesses intimidated, perjury suborned? Did the criminal in a serious crime get off easier than some wayward youth who stole a car or burglarized a store while hungry? Are the operators of vice dens excused from prosecution by the paying of a mere fine which amounts to a license to traffic in human flesh? Are criminals allowed by the courts and prosecuting attorneys to plead guilty to a lesser offense than the one charged and thus receive a shorter sentence? Are convicted criminals afforded special opportunities and privileges in prison? Are pardons, paroles, and probations dealt with like common chattels? Do public officials live beyond their means?

Are there slot machines in drug stores and restaurants? Does gambling thrive? Are there bookmaking joints on every corner? Who controls the numbers racket? Is vice kept at an irreducible minimum, or does it contaminate most sections of the city?

If vice conditions exist, who is responsible? Are there alliances between the beneficiaries of crime and officialdom? If there are, a few aroused citizens can accomplish more than the enactment of new legislation because the underworld cannot stand exposure. One vigorous crusading newspaper which does not pull its punches can do more

to build up a will to enforce existing laws than the enactment of new laws which shift responsibility from local authorities and provide an alibi for their failures.

The solution of the crime problem is a simple matter: Enforce existing laws fairly and impartially, vigorously and relentlessly, and mobilize the full force of every medium of education as to the facts about crime.

I have no sympathy with the position of those who constantly are urging against the publication of information on crime. In fact, I would urge the dissemination of more information on crime which puts crime in its proper perspective and reveals it in all its horror and filth, and revolting character. Only in that way can public lethargy be forced into action.

I have always had great respect for the role of the grand jury in our system of criminal law enforcement. The broad powers of the grand jury give it ample authority, at periodic intervals, to inquire into the state of law enforcement in the various communities. I hazard the guess that if on an annual basis a grand jury scrutinized the administration of justice in every community in the land this would have a salutary effect. And every public official would know that the spotlight, at least once a year, would be focused upon his work and activities and that he would be subject to a searching examination of his affairs.

Those who engage in widespread vice activities and rackets could not long survive without their ally—the political renegade. No community in the land is contaminated by rackets and corruption without the assistance of local interests which hold law enforcement in restraint. Law enforcement officers are the people's representatives. They are not persons with unlimited power; they must obey those under whom they hold office. If they are dominated by the criminal-aligned politician, ruthless rackets and vice are inevitable. The law enforcement officials in our Nation, for the most part, are honest and anxious to do a good job. Regardless of their personal honesty, however, they are frequently powerless to act. Only aroused and enlightened citizens can take the handcuffs off their wrists and place them where they belong, upon the racketeers, criminals, and corrupt politicians.

Too frequently, law enforcement officers of the Nation have been shackled not only by higher-ups but by technicalities of the law which make it virtually impossible for them to discharge their duty. The rights of every person must, of course, be protected—even the criminal—but there are occasions when the criminal has every break in his favor and the officer of the law has every conceivable obstacle thrust in his pathway.

After thoroughly scrutinizing law enforcement the next question is: What do you know about the judiciary in the community? Is it a fountainhead of justice, or is it controlled by entrenched interests? Do the courts protect the innocent, the poor, and the uneducated with the same vigor they do the privileged? Are the courts quick to detect perjury and vigorous in demanding action? If the robes of justice are not clean, then society and individuals are not secure. And the prosecutors, do they seek justice for society and the accused as well; or do they safeguard the interests of the accused by grand jury whitewashing or improperly prepared cases?

I have always felt that the basic reason we saw the underworld develop and acquire a formidable status during the prohibition era was attributable to two factors. The first is a simple one, public opinion was not mobilized behind enforcement. There was a lack of interest, determination and zeal on the part of large numbers of our citizens to make sure that the law was enforced.

The second reason follows: There was a widespread breakdown of law and order because the basic responsibility for enforcing the prohibition laws was not given to the "home town police," but was given to Federal authorities. A vast Federal agency, try as it would, soon was facing the unwholesome fact that local underworld forces were being protected by local enforcement interests and the evil result was the rise of gangsterism. The sad experience of that era should be too fresh in our minds to make the same mistake again.

The widespread ramifications of the present gambling interests in my opinion are in many respects similar to the underworld alliances of the prohibition era.

The gambling problem must be viewed as a phase of the entire crime picture. Organized gambling is a vicious evil. It corrupts our youth and blights the lives of our adults. It becomes the springboard for other crimes: embezzlement, robbery, and even murder. But, like any other type of crime, it can be controlled. If the laws against gambling presently on the State and local statute books were earnestly and vigorously enforced, organized gambling could be eliminated within 48 hours in any community in the land. No criminal, the gambler and his allies included, can long stand up before a determined, intelligent, and informed public opinion. That, in my opinion, is the basic answer to the gambling problem: an aroused public opinion which will act on a local level through local law enforcement authorities to wipe out this menace.

In many communities local and State laws prohibit gambling but, nevertheless, several forms of gambling exist. In others "betting" is legalized but bookmaking is banned. We may hear that this gambling is beyond the control of local authorities and cannot be suppressed because of its direction by national figures who reside across State lines. In just such instances, demands arise for Federal action or Federal legislation to eliminate the gambling and the gamblers from the community. What really is needed is not more laws but the will to enforce those laws already on the statute books.

I believe that in any town where gambling flourishes local gambling czars can be found. The gambling element may be headed by one man who controls all the various gambling activities, but frequently gamblers have by agreement divided the community geographically or by types of activity, each under its special gambling czar.

I submit that these local gambling czars stand at the very center of gambling in this country. The local overlord of gambling is an all-powerful figure in his community. He is the individual who controls the gambling outlets, the "bookie joints," the runners, the slot machines and the gambling centers. He is the man who controls the so-called mobs, pays for or arranges for protection and is the directing energy of the entire mob of criminality which protects such activities in the local community.

Without question, these local czars have common purposes and working tools, and may well have contracts with national figures in

gambling, the so-called tycoons of the underworld. But these same national figures are themselves dependent, in their operations, upon the local gambling czars. If you would strike at the national ramifications of gambling, the only effective way I know to do the job permanently is to blast the foundation out from under them.

The evils of gang wars, gambling, vice, political corruption and organized crime can be eliminated from the American scene. The fundamental solution lies in aroused and awakened citizens, militantly demanding the action which will eliminate the gambling czar, the crook, and the venal politician. Blast the foundation of the local gambling czar, by vigorously enforcing the statutes against gambling without fear or favor and he will collapse and, like a house of cards, the vast pyramid of gambling will collapse.

I would like to digress for a minute to cite some situations that we in the Federal Bureau of Investigation have found in our contacts with places where this committee has gone and in others which have have not as yet come under the scrutiny of the committee.

I recall one particular instance where we were looking for a fugitive, violative of a Federal statute. We contacted the local sheriff of the community for assistance. He claimed he knew nothing about the fugitive. Later when we apprehended the fugitive we found that he had been a visitor at the sheriff's home on several occasions when the FBI was looking for him.

In another community there was a seizure of 100 slot machines made by the State police. They were turned over to the local sheriff to be held as evidence. When trial came, the 100 machines had disappeared. It was later found of his close alliance by the local authorities, the State police, with the gambling interests in that community.

One of the witnesses that has been sought by this committee who has not yet appeared before this committee, during his commuting period between New York City and this Capital of our Nation by plane, upon arrival at LaGuardia Airport would be met by a man who later was made a deputy inspector of police of the New York Police Department, in a police car and driven from the airport to his place of business in New York City. That individual happens to be one of the most prominent criminals of the underworld and, also, a very powerful politician in New York City.

I could go on citing case after case of that kind.

Senator TOBEY. What was the date of that outrage?

Mr. HOOVER. That outrage, I think, Senator Tobey, occurred about 1945, and the individual I refer to is Mr. Irving Sherman.

Senator TOBEY. Yes.

Mr. HOOVER. That is the character that I am referring to.

Senator TOBEY. Yes; we are looking for him.

Mr. HOOVER. We will be glad to assist you in that, too.

There are other cases all over the country. I have only picked a few scattered ones to just show the character of some of these individuals that we have to deal with in these local communities and we must necessarily know or try to find out the true character of the sheriff, the chief of police. The cases I have cited are, of course, exceptional. The great body of law enforcement officers of this country want to cooperate.

I recall a case offhand out in California where the chief of police instructs his officers to record only one-tenth of the robberies consummated in his community. It happens to be a large motion picture colony. In order that the record won't look quite as bad, merely one-tenth of the value of the property stolen was recorded. That is the kind of skullduggery that occurs.

Now that can only be corrected by an aroused public opinion demanding a change and removal from office of men of that character.

Local citizens must unite in surveying their communities to see that their law enforcement agencies have the manpower, the technical facilities and the will to combat the criminal menace. Vigorous enforcement of local laws will eliminate gambling in those communities where gambling has been outlawed by statute. This is the solution of the problem.

The extent of organized crime in the United States is a national disgrace. The very fact that we have a crime problem reflects an evil of even greater import. The American home too often does not occupy the place in our national life that it did at the turn of the century. We are in a state of moral depression. The breakdown of the home is both a cause and a result. The bad state of affairs in too many of our schools is another result. In many instances any semblance of religious training is barred and the mentioning of God is frowned upon while espousers of godless communism carry on under the guise of academic freedom.

No nation ever won a war unless its people were united and dedicated to the common cause.

We can never have a crime-free America until all who stand for law and order are united, stand up to be counted and are determined to mobilize against those who constitute our army of lawlessness. Only a return to the fundamentals upon which this Nation was founded—a moral reawakening—a revitalized spirit and a rededication of services to our fellow man—can make this a reality.

The CHAIRMAN. Mr. Hoover, on behalf of the committee we want to thank you for this very splendid and inspiring, thoughtful statement. It is one that I wish every American citizen would read and ponder, and I am certain that we would have a cleaner and a better America if that were done and if these suggestions carried out in your statement were followed.

I know the committee will wish me to say that we are glad to have back in Washington with us our chief counsel, Rudolph Halley, who has been quite busy in New York during the past 2 weeks and who we think, not only in New York, but in the general work of this committee, has done an extraordinary, exceptional job, a remarkable one, as I see it.

Mr. Halley has a few questions he wishes to ask, and then we will proceed to give every member of the committee an opportunity to direct questions either at Mr. McGrath or Mr. Hoover or any one of the Assistant Attorneys General who have accompanied Mr. McGrath here today.

Mr. Halley, will you proceed?

Mr. HALLEY. Mr. McGrath and Mr. Hoover, I think both of you would want to tell the committee what you think about a few things.

First, do you believe that the leaders of organized crime today are

the direct successors of the huge organized criminal gangs of the prohibition days?

Attorney General McGRATH. Mr. Hoover has had far more experience than I have had in this field, but for whatever my opinion is worth, I think they are definitely the outgrowth of the prohibition organizations that were built up, that brought with them disrespect for law enforcement, and at the end of the prohibition era had to find new enterprises.

Mr. HALLEY. Would you say that the very men that broke the prohibition law now have turned to gambling for a major source of their income, is that your feeling?

Attorney General McGRATH. I do not know what percentage of the present-day big time gamblers were in the bootleg business. It seems to me from what I have heard and read of the work of this committee that you have made pretty definite tie-up between these activities, prohibition and gambling, in many of the major witnesses that you have had before you. I will not be able to say that that is true in all cases or even in a majority of the cases, but I think many of them were engaged in both enterprises.

Mr. HALLEY. Would you agree with that, Mr. Hoover?

Mr. HOOVER. Yes, Mr. Halley. I think a great many of the present underworld leaders and the underworld scum are descendants from the prohibition era. They started in at that era with easy money and, of course, they had to buy local officers in order to be able to carry on their nefarious activities. As that passed out of the picture, a few turned to the era of kidnaping and bank robbery which we had in the thirties and late thirties. That was pretty effectively broken, and then the great bulk of them gravitated into the gambling racket that you have today.

Mr. HALLEY. And we find, do we not, that those who were minor characters 20 years ago, the errand boys of that period, are the leaders today, but they are definitely the people who were errand boys of the leaders 20 years ago?

Mr. HOOVER. That is correct. Many of those that are no longer living, either have died from old age or have been liquidated by rival hoodlums in the underworld, and you have today, therefore, so-called top figures in the underworld, individuals who, as you characterize, certainly were messenger boys back in the prohibition era.

Mr. HALLEY. Following along from that major premise, would you both say—I think you have—that legalizing of gambling provides no solution whatever; would that be so, Mr. McGrath?

Attorney General McGRATH. I certainly am very strongly opposed to legalizing gambling. I think we have altogether gone too far up to this point legalizing it.

Mr. HALLEY. An analogy has been drawn and perhaps Mr. Hoover's specific reference would help the committee here—the analogy has been drawn between the legalizing of the alcoholic beverage industry and the point has been made that when gangsters were forced to compete with honest citizens they stepped out of the alcohol industry. Do you believe that that analogy is a fair one when applied to gambling and that if gambling were legalized, honest men would return to it and drive the gangsters out of it?

Mr. HOOVER. No; I do not. I do not think legalized gambling will solve the present situation you are faced with. I must say that it is

certainly a most irksome and a very sad situation when you look at a State like Florida where gambling is illegal and no revenue from it from the point of view of the local bookmakers. I am not referring to the race tracks there. And at the same time it is operating and making a great deal of money. The hypocrisy there is what I am always stunned at, because—

The CHAIRMAN. They are doing better there now.

Mr. HOOVER. They are doing better due to the efforts of this committee and the Crime Commission of Miami Beach, but up to this year the gambling casinos were running wide open. The bookmaking establishments were running wide open. And any effort made by anyone who had the temerity to speak out against it, they were castigated, not only by the local politicians, but sometimes by the national politicians. I experienced that on several occasions.

Mr. HALLEY. In fact, we found particularly in Florida that an honest citizen felt that they just could not enter the political arena; if they did, they were castigated, they were turned into outlaws, practically, and everybody turned against them. They soon found themselves defending themselves instead of attacking those who were supporting the gambling. Has that always been your experience?

Mr. HOOVER. That is correct. And not only the experiences that the citizens have that you have related, but many of them have been threatened with violence and have been subject to violence who tried to carry on any reform crusade in that State. And that is true in other communities of the country.

Mr. HALLEY. Treating Florida as an example, perhaps, we did note the very fine work of the Miami Crime Commission in trying to publicize conditions there, but we noted that mere repetition, no matter how sincere by newspapers and radio and by the crime commission, apparently was not enough to convince the average citizen that the people making the charges were right. The criminals raised the question of politics. They raised all sorts of red herrings.

Now, how can the local citizens of a local community cope with that type of force?

Mr. HOOVER. Well, there are a number of ways to approach that, I think, Mr. Halley.

In the first place, one of the great difficulties in Miami Beach particularly, is that they have their election in midsummer. Many of the property owners and the better citizens of the community have left Miami Beach at that time, and therefore the election is usually left to a small handful, a small machine.

In the winter season Miami is the winter capital of the criminal underworld, and the scum go with it.

I think the only way that you can combat that particular situation that you have related is for an aroused public opinion. This year it has been done. You have a crime commission that is really functioning. You have the two large newspapers in the Miami area that have really pitched in to try to get decent government.

I think, though, above everything else, the work of this committee has spotlighted it. That is why I have urged very seriously and very earnestly that this committee be continued. You found in other communities of the country such reforms. You have gone into other cities. New York has had a reform movement every so often. You know that, being a resident of New York City. And it is just merely

a splash in the bucket, so to speak, but when this committee moved in, and when they found this committee meant business and was going into it objectively and determinedly, there was not anything that could block it then. And I think you have aroused feeling in New York City today. A crime commission has just been formed there, headed by Mr. Braden. I think that will really spotlight that situation, but it needs this committee to lend moral support and stamina when they begin to weaken in various parts of the country. That is why I would like to see this made a standing committee.

Attorney General McGRATH. I would like to say, Mr. Halley, in my opinion it is not fair to indict the whole State of Florida in this matter. This condition, I believe, exists only in that recreational area of the South.

Mr. HALLEY. We also found that in Tampa.

Attorney General McGRATH. There may be other areas where they have an influx of visitors. It is probably the people that come in that engage in these activities. I am not excusing any public officials, but I do want the record to show that to my knowledge some very wonderful men have come up the political ladder in the State of Florida, which are the two fine Senators that you have from there, one having been a former Governor of the State and made a wonderful record. And the statement that no honest man can get into politics in Florida, in my opinion, should not stand in the record.

The CHAIRMAN. I know that each of us would like to ask a great many questions of Mr. Hoover and Mr. McGrath. It is now 12:25, and we have another hearing this afternoon at 2, and at P-36 over in the Capitol, we would like to have an executive session and also a little nourishment. We should like to have you gentlemen of the Department to sit with the committee and our counsel and associate counsel.

We will have as many questions as we can from the committee members up to the time we must leave. We will start with Senator Tobey, down at this end.

I want to say that we do not observe political protocol by calling first on Democrats or Republicans in this committee. We have tried our best and I think we have succeeded in having no political partisanship whatsoever. We set out that way when we first started, and I think that we have pretty well followed that rule.

Senator TOBEY. There has not been a scintilla of partisan consideration or thought or influence in any of the committee's work or deliberations, and I am glad to testify to that.

Attorney General McGRATH. Senator Tobey, may I interrupt you to say that if the Senator is contemplating an afternoon session at which I would be expected to be present, I would want to come back to the committee at any time that it may need me, but I would like to attend the Foreign Ministers' Conference this afternoon. I believe that all of the Cabinet, as a matter of courtesy, should be there.

The CHAIRMAN. Of course. What time do you need to be there?

Attorney General McGRATH. I can be free at 3 o'clock for that purpose.

The CHAIRMAN. As soon as we leave here, I thought that we would have an executive session and get along as far as we can, and then we will make other arrangements about getting together at a later time, if that is necessary, but we will at least be through by 2 o'clock.

Attorney General McGRATH. You intend that we should lunch with you?

The CHAIRMAN. Yes.

Senator TOBEY. Mr. Hoover, most of us who are individuals like to hear things enunciated or in print that square with our viewpoint of things. So as one of those men having that human failing I want to say how much I have rejoiced in what you have said here to us this morning. You have covered the subject very thoroughly and very frankly and made a great impression on me in the text that you have given us this morning.

Mr. HOOVER. Thank you, Senator.

Senator TOBEY. I now bring to your attention the fact as a matter of evidence they ought to encourage you, and I think they will, and I know that every other member of this committee has had a similar experience. Because of the activities of this committee and the wonderful press which we have had through the press and the radio and television there has been developing in this country in the last 2 weeks a sense of awareness of what is going on to a degree never known before and there is rising like a mountain tide a sense of righteous indignation in this country as manifest by thousands of letters. In my little office I have had over 6,000 in the last 5 days that have come into that office, and 95 percent of those letters demand that the work go on, and 95 percent or more than that come right from the heart. They are wonderful letters from mothers and fathers and high-school children and college students setting forth just what you have said, only in a much briefer extent.

So I rejoice with you, and I say, God help anybody in this country that gets in the way of public opinion which is now aroused. And I made this prediction advisedly and thoughtfully, that we are going to have in this country a great moral awakening and a great spiritual awakening, and God help these forces of the underworld when it gets moving and the full extent of its power in the days ahead.

Now I bring to you a specific illustration touching on something you said. What I am referring to is the fact that we had so much testimony come before us that only last Saturday we had a witness sitting where you are, sir, and he was a very frank witness, he talked very frankly with us, he had nothing to conceal, and we admired him for that, he was a forthright fellow, a man who attained a good deal of wealth, and he sat before us and testified and each examined him, and one of the questions I asked him was, a little catechism of five or six questions about his work and operations as a professional gambler, which he admitted he was, and the last year he made \$83,000 net profit in the year from his gambling operations. This gentleman's name was Brodson, sat where you are sitting now, and in examining him we brought out before him the list of his correspondents, his agents, which he works through across the country. There was one right here in Washington, some in New England, and some all over the country, quite an extended list of men, so that by the sworn testimony of this man, Brodson, to this committee, having admitted—that is a fair thing to do, for any man to do, that he is a professional gambler, that is his work, and he is doing very well at the business, but he could not do that business if he did not have the agents to carry on his work in the hinterlands of America. So we have prima facie evidence on the sworn testimony of the man himself who conducts the operation, not

only his name, but of his agents, too, across the country. And the question I pose to you, sir, is this: Would exhibit A like that before the American public and before the law-enforcement agents of this country—and their name is probably legion beyond peradventure—is that not an opportunity and a privilege and a duty to say, “Hold, enough,” and to stop this thing pronto, especially when they give us the evidence themselves, on their own sworn testimony? What is your answer?

Mr. HOOVER. If the local authorities were alert to their responsibilities, those individuals named by him should be immediately thoroughly investigated and upon the evidence obtained prosecuted. It can be stopped at the local level.

The CHAIRMAN. If I may, Senator Tobey, right there I do want to say that this police chief, Polcyn, worked up this case for the committee, and he has done a great job in getting connections of Mr. Brodson in the many cities in the country.

Mr. HOOVER. He is one of the best police chiefs in the country, if I may say so.

The CHAIRMAN. It was he who worked up the connection with this man here in the District of Columbia. What is his name?

Mr. HOOVER. Cohan.

The CHAIRMAN. Cohan, yes, and he deserves a great deal of credit for having worked up that Brodson case so well. But he had an opinion from his attorney general that under the Milwaukee ordinances and, also, the laws of the State of Wisconsin, since the transactions were not consummated in Wisconsin, that there was nothing he could do about it.

I only bring that up because I think it would be very unfortunate if any reflection were cast on Mr. Polcyn who, as I say, is one of the best.

Mr. HOOVER. One of the outstanding police chiefs of the country.

The CHAIRMAN. I did not want to interrupt, Senator Tobey, but I just thought at this point that we should pay a little tribute to this man.

Senator TOBEY. I appreciate your innate sense of fairness that endears you to every member of the committee. And I want to emulate it.

Mr. HOOVER. That very example that the chairman has cited proves one of the points I made in the statement, Senator Tobey, that the technicalities interfere with the effective law enforcement. In this particular case the chief of police of Milwaukee has been one of the outstanding men of the country. The handcuffs are on the police, instead of on the criminal.

Senator TOBEY. Going a little ahead in this picture, and with many other instances of similar nature in our records here before us, still in examining this man, and I raised the question, “While you were making these bets in Wisconsin,” and I think these are my words, “and the other end of the bet is concluded in a State which has laws prohibiting the making of bets and gambling, are you not then guilty of breaking the law?” And he thought a few minutes and said, “I am.” Now that in his judgment was his own personal guilt.

I say this in no bitterness against the man. He was a very attractive personality, but the point is that here we have these things. I wonder whether we have gotten so inured to these contraventions in

this country that we cease to be aroused at all. Has it become a norm for us to be apathetic when we know the facts; have we not the power in these local jurisdictions, in the 48 States of the country—is there not decency and is there not character enough in the enforcement officers when they get a piece of information like that to crack down?

Mr. HOOVER. We have, Senator, in this country developed, as I cited, a moral depression. That depression is not any so-called decadence, but it is a depression and that depression, I believe, can be overcome by the very kind of work this committee has done. We have become calloused in this country doing the things that we should do in carrying out the oath of office that a law-enforcement officer takes, but by a moral awakening and by the spotlighting of this committee upon such matters as you have spoken about I believe that the public will demand action in those cases.

Senator TOBEY. My concluding remark is that we all read the newspapers and I do not know who the author of it is, but in a recent advertisement of some large concern, the advertisement consisted only of this statement, which is so true. It said, "There is nothing the matter with this country that character will not solve."

Do you agree?

Mr. HOOVER. I agree 100 percent. I will say, "Amen" to you on that.

The CHAIRMAN. Senator Wiley.

Senator WILEY. Would you care to comment, Mr. Hoover, on my question as to the possible use by the Communists of the gangsters and narcotics outfit and any other legal instruments?

Mr. HOOVER. Of course, the enforcement of the narcotic laws comes under the Treasury Department. However, the FBI does have the responsibility for the internal security of the country and is very well informed upon the activities of the Communists and subversive forces.

Insofar as we have been able to find, and I think the narcotic officials would sustain me in this statement, there have been no major or direct tie-ups between communism—that is, between the Communists and the operation of the narcotic rings in the country. There, of course, would be no doubt a few persons who are members of the Communist Party and subversive groups who have indulged in violations of the narcotic laws, but on any broad basis, no.

As to the other portion of your question as to gangsters and the hoodlums, of course, the Communists, as you know, are under instructions from their executive committee to go into every labor difficulty and problem, strikes and things of that kind. The Communist goes in to stir up trouble.

The purpose of the Communist is to infiltrate labor. It was very effective up until the last several years. The CIO, I think, has expelled 11 unions from its organization because of Communist leadership. But you take New York County. In that one county, out of 7,000 members of the Communist Party, about 28 percent of them belong to the CIO, about 13 percent belong to the A. F. of L., and 7 percent belong to the independent unions.

What do they go in there for? Not to advance the interests of the common laboring man. They go in to stir up trouble when you have your strikes and economic difficulties. They are there to either incite

to violence and are arrested in that respect, but we find no indication that they have as a group moved into any operations similar to what you might call the tycoons of the underworld. Just as incidental fringe, it is.

Senator WILEY. Do you think that it would help some in this country if your jurisdiction were extended?

Mr. HOOVER. I do not. I am very much opposed to any expansion of the Federal Bureau of Investigation. I think it is too big today. We have had to take additional duties and responsibilities on, because of the national security. Of course, if Congress sees fit to pass any law over which we would have jurisdiction, we will try to enforce it the best way we can, but I would like to again reiterate the thought which I made in my original statement that I think it ought to be given very careful consideration toward extending or toward enlarging materially the law-enforcement agencies of the Federal Government. I think the recommendations made by the Attorney General in regard to the communications bill are excellent.

I think the recommendation he made in regard to the matter of perjury, the amendment of the perjury statute, is excellent. We would have jurisdiction in the investigation of those matters, but I do not think this thing can be solved at the Federal level. I think you have to get back to the grass roots to do it.

Senator WILEY. I want to join with that very fine compliment Senator Tobey paid you. I think that you have pretty clearly demonstrated the correctness of one of the witnesses who was included in the gambling hierarchy, so to speak. He said that gambling was a biological urge or instinct, and that until you can supplant it by some other instinct or urge, that you are facing a challenge than can only be probably adequately met on the local level when you arouse the public conscience, so that it will see to it that something is done about it, that is, this biological urge.

Mr. HOOVER. I think I would be less frank if I did not advise you of the comment made by the Attorney General. There are other biological urges that are, also, illegal, but they have to be restrained.

Senator WILEY. I do not understand how the Attorney General can be so well informed. I have always found when he was associated with me in the Senate that he was well informed on legal matters, but when he gets into these biological things, I cannot quite understand. Anyway, that is all.

The CHAIRMAN. Senator O'Connor?

Senator O'CONNOR. Just a few questions, if I may, Mr. Hoover, and not for repetition's sake, but in order to keep the record straight. In emphasizing the fact that certain betterment has been noted since this committee came into existence and its investigations have been pursued, I think it only fair to say that that does not in any sense carry any suspicion of dereliction on the part of any Federal agencies, because as we have gone about the country, as the chairman has correctly stated, we have found that the one thing uppermost in the minds of the people is that the country is fortunate in having such an active man as the Director of the FBI whose hands, incidentally, have always been upheld by the Attorney General of the United States. I am sure you agree?

Mr. HOOVER. I agree with that; particularly the present Attorney General.

Senator O'CONOR. I had in mind the present Attorney General and his illustrious predecessor and others.

Now just one or two questions, Mr. Hoover.

Do you believe that in places where it has been shown that organized crime flourishes that it could continue for extended periods without the knowledge of the law-enforcing officials?

Mr. HOOVER. Senator, wherever there is any crime locally or in any community, if it continues it is either due to the stupidity or the venality of law enforcement. I am inclined to very strongly incline to the view that it is the latter. The average law-enforcement officer is not stupid, but if he permits it to be continued or carried on, then it is due to the dishonesty, either upon his part or upon the part of his superior, who will not let him move.

Senator O'CONOR. Very true. Where, for example, in regard to widespread gambling, horse betting, and where with the establishment of so-called rooms, horse rooms, with their quite extensive outlays and where, of course, numbers of people come and go and there are installations which could be observable by the ordinary discreet officer, coupled with the fact that numerous telephonic connections are installed, do you not think that all adds up to and shows a picture of conditions which the ordinary prudent officer could discover?

Mr. HOOVER. I do not think there is any question about that, Senator. And I would also like to add the comment that I think the communication services that install as many, sometimes, as 10, 15, or 20 telephones into a little shack the size of this table, certainly have noticed that they are not there for legitimate communication.

Senator O'CONOR. Another very serious aspect of this whole situation, I am sure you will agree, is that you have found such conditions to exist that gamblers and racketeers and hoodlums have infiltrated into legitimate business enterprises in some places.

Mr. HOOVER. That is very true. They have bought into many hotels. They have bought into many business interests. They have taken their money and invested it in those fields. It is ill-gotten gain, but they are now operating allegedly legal, when they are in a hotel purchase or an office building or a towel service for hotels, and things like that.

Senator O'CONOR. Have you any thought as to how that might become increasingly serious as to interfere with or break down the fabric of our regularly constituted things?

Mr. HOOVER. I do not think there is any question, when you have entering into legitimate businesses individuals who are immoral, who have no standard of morals, no standard of ethics, that that same immorality is going to penetrate into the business operations. A man who has been violating laws for years, as they do in the gambling field and other violations in other fields, that individual seldom can go into legitimate businesses at the age of 40 or 45 and keep himself straight and clean. It is almost impossible. And, therefore, his influence is more or less an unholy influence in legitimate business.

Senator O'CONOR. You mentioned in your statement that too often the officials, and honest officials, are handcuffed by higher-ups. Have you any specific illustrations in mind as to that?

Mr. HOOVER. Oh, yes. I offhand can recall the case of a sheriff down in one of the Western States, in Arizona, who received a \$40,000 contribution from one of the leaders of the underworld. Of course, none

of his subordinates would dare move against any of the operations of that group, because if they did they would be fired.

In Miami Beach it was a well-known fact that the gambling syndicate down there paid \$100 a month to certain detectives on the Police Department in order to leave them alone. They had one detective down there who was hired to run out of existence any competitors to the syndicate.

Now individuals who may be subordinate to those officers do not dare take action. If they do they will be dismissed.

Senator O'CONOR. Mr. Hoover, in many instances in the various cities where we have gone we have noted that men who have come before us were with no visible means of support, certainly nothing legal, and who could not tell us of anything legitimate they had been engaged in for a number of years, have long records as to that, that is to say, there is presented a long list of arrests but with very few convictions.

I was wondering whether there was any thought in your mind whether that spells either inefficiency on the part of the police arresting indiscriminately or laxity on the part of our prosecutors and courts?

Mr. HOOVER. The law-enforcement officers must not arrest indiscriminately. We have to observe the civil rights of all. It has been a practice in some communities to pass local ordinances requiring any person with a criminal record to register. I think that is a very good idea. At least it puts on record with the local authorities when some one of these hoodlums or some of the scum of the underworld come in that he has to go to the police station and register. And his fingerprints are there taken, if he has had a previous criminal record. It again spotlights him, that individual, from that time on, and he is on notice that the local authorities have a knowledge of his being in there. And they can give appropriate attention.

The usual criminal does not gravitate to a community that has good strong vigorous law enforcement and stay any length of time. A typical example of that is the notorious hoodlum of the west coast, Mickey Cohen. He landed, I think, in El Paso the other day to attend a funeral. The sheriff met him at the airport and permitted him to remain only long enough to attend the funeral and then sent him back to Los Angeles.

Senator O'CONOR. Another thing that I would like a word from you about that might be helpful, periodically there is a great wave of awakened interest and indignation, and the conditions are corrected, only to fall again into that condition. I recall it was 30 years ago this month when, if I may just employ the personal, I went into the prosecuting work in a city 40 miles away. There had been a lot of agitation before that.

Is there any suggestion that would continue the interest of the citizenry, rather than have it become apathetic every so often, and then conditions like this arise?

Mr. HOOVER. Well, specifically, Senator O'Conor, I would certainly urge the convening of a grand jury once a year in every community of the country and revitalize the grand juries, not let them be units to whitewash or to merely window dress, but get in there and be a real crusading grand jury and put the spotlight on the police department, the prosecuting attorney, the judges in the community. I would also think that the local crime commissions, if properly operating, would

help. They must never degenerate into political groups, or be used for political or selfish purposes, but if they are properly directed and approach the matter in a proper way they can do a wonderful amount of good. But above it all I still come back to the suggestion I respectfully made originally, there is a need for a committee of this kind that can, when certain vital information comes to it, go out and spotlight it. That would have the greatest restraining influence upon the hoodlums of this country. I think if this committee goes out of existence on the 1st of April or shortly thereafter I think there will be a regular celebration among the crooked politicians and hoodlums of this country.

Senator TOBEY. Yes; and as I said, expressing your own words, when this committee dies, if it does, April 1, all of these rats are going to come out from under cover and sing, "Hail, hail, the gang's all here." Is that not right?

Mr. HOOVER. I think they will.

Senator O'CONNOR. I am certainly very obliged to you.

Senator HUNT. Mr. Hoover, to emphasize something you did not have in your prepared statement—you have commented briefly on it since that time—you failed to include in your statement any reference to the recommendations made by the Attorney General. I think it would be well for you to state emphatically that that was an oversight; that you do approve of the recommendations made by the Attorney General.

Mr. HOOVER. Senator Hunt, it was not an oversight. The Attorney General, of course, is the one charged with making recommendations as to legislation. And the FBI never injects itself into that field. However, I think it is entirely proper for me at this time, since you have asked this question specifically, I very strongly am in favor of the recommendations of the Attorney General. He has given a great deal of study to it. Of course, he has had vast experiences as a prosecuting attorney himself and in the management of a State. He was also formerly Solicitor General of the Department of Justice and now is the Attorney General. And I think that this committee ought to give very careful attention to this communications bill. That, at least, would harass, let us say—it would be the minimum it would do—it would harass the underworld from the point of view of getting information, provided there are the proper safeguards set up to protect it from any infringement upon the freedom of the press.

The other matter is the matter of perjury. I am very much concerned about the propensity and the proclivity of these individuals coming before this committee, coming into our courts and time after time lying with a straight face. And even when the counsel of the committee finally ties them into a knot and they admit they were wrong, they do not admit or indicate any concern about it.

I think the Attorney General's recommendation to amend the perjury statute would be excellent and it would take some of the steam out of some of these individuals of the underworld who have gotten very defiant.

Those two things would be particularly helpful.

Senator HUNT. Mr. Hoover, on several occasions when we have subpoenaed income-tax returns and have positive evidence otherwise of the wealth of an individual for which he cannot account or for which he will not account, would it be helpful if we had a law to the

effect that when a man cannot or will not account for a rapid accumulation or otherwise of wealth, that can be considered *prima facie* evidence of guilt?

Mr. HOOVER. Well, I think there should certainly be some very serious study about going that far. I think it has merit to it. What astounds me is the testimony of some witnesses that counsel was questioning here Saturday. One would not even tell you whether he had consulted with his lawyer. The lawyer made out the income tax and had an item in there, if I recall correctly, that this individual said he could not make any statement about. He would not even say that he had given the information to the lawyer, on the ground that it would tend to degrade and incriminate. That makes a farce of the Federal perjury statute as it is drafted at the present time.

Senator HUNT. That is all of the questions I have and the observations I have.

The CHAIRMAN. Mr. Attorney General, if I can ask you one question, I should like to do so at this time.

Mr. HOOVER. May I just break in. The Attorney General has made a suggestion to me. I did overlook it in answer to Senator Hunt.

The matter of the immunity statute that the Attorney General has recommended to Congress, I think, has great merit. Along the lines of the testimony of last Saturday of individuals claiming immunity. It is just a farce. That is all it amounts to. And the Attorney General has recommended legislation along that line. I think this committee could very earnestly consider that.

Senator HUNT. I agree with you, Mr. Hoover, that is something we must have.

Mr. HOOVER. I think so.

Senator HUNT. Because the work of this committee has been thwarted, it has been stymied, it has been nullified. And the Senate has been made to look ridiculous by a man sitting where you are sitting and saying, "I refuse to answer," and then the judiciary patting him on the back and saying, "You do not have to answer."

Mr. HOOVER. Further, Senator Hunt, these hearings are being carried from coast to coast, I imagine, by radio and by television. It puts the idea, as one witness who sat here said, he got the idea about the legal part of it from listening to the television—that he was not a lawyer. You will have many other witnesses who will try the same thing. That is why I think something ought to be done to cramp their style.

Mr. HALLEY. On the question of immunity, Mr. McGrath, the question has been raised by a great many witnesses that they believe they have some kind of immunity against testifying in a way that might incriminate them under State law. Now if such immunity were validly asserted, of course, there could be no Federal immunity law that would protect them. Do you have an opinion as to whether or not there can be any valid assertion of immunity under State law? This committee, as you know, has been following the present laws as set down by the Supreme Court, holding that a man who has been called to testify before this committee may not refuse to answer on the ground that his answer might incriminate him or even would incriminate him under State law.

Do you agree with that?

Attorney General McGRATH. I do not believe he can assert it under State law.

Mr. HALLEY. Therefore, the Federal immunity statute would completely solve the problem.

Attorney General McGRATH. I believe so.

Mr. HALLEY. And the witnesses who have been appearing here and asserting an alleged privilege under certain State law, in your opinion are definitely wrong; is that correct?

Attorney General McGRATH. I would say that is correct. I will address myself to the question Senator Hunt asked.

I realize that the Senator is not an attorney, but I think it is very important that we keep our thinking straight so far as the legalities of the situation are concerned. I do not believe, Senator, that you could in the criminal field make a mere position of money in the hands of an individual—I do not believe you could make a *prima facie* presumption. I think the burden of proof would remain with the Government. I think your counsel will agree to that.

The CHAIRMAN. Yes, I am sure that is what Senator Hunt meant.

Senator HUNT. I have often regretted, Mr. Attorney General, that I am not a member of the bar, but we have 62 others in the Senate who are, and I think that is sufficient.

The CHAIRMAN. You think that might be too many, Senator Hunt?

Mr. Attorney General, I only want to ask you about one matter; that is, that as you know we have had a great deal of trouble getting some of our witnesses under subpoena. When word gets out that we might be considering coming to a section of the country the witnesses get out to Mexico or Brazil or Jamaica and to other widely dispersed places. Do you not feel that the Department of Justice could go along with recommending a constructive subpoena statute such as is applicable to the subpoenaing of a witness for appearance in the district and Federal courts?

Attorney General McGRATH. Yes; I do not see any reason why we could not.

The CHAIRMAN. That is, a registered letter or by some other means, left at the home, when that is used, the same as may be used in Federal courts—that that might be tantamount to a personal service or actual service, insofar as congressional committees are concerned?

Attorney General McGRATH. I believe service by publication would be permissible in many instances—a letter addressed to the last known residence or things of that kind. I have not had occasion to give that very much thought or study, but we would be very happy to do so. Maybe we can make some suggestions to you.

The CHAIRMAN. And another matter that I hope the Department of Justice will consider—and also the Treasury Department: Some of these lawyers who are not just representing their clients and guaranteeing their constitutional rights, or protecting their constitutional rights, but who actually go in business and become partners with the criminals or the gangsters themselves. There are not very many of them. But there are some very few. And the Federal Government, through the courts and through the bureaus where lawyers must practice, could take some regulatory action as to some of these people which, I think, would be very helpful.

Attorney General McGRATH. Yes. As a matter of fact, every Federal court and every Federal agency specifically admit persons to prac-

tice before them. I think the bar associations could be very helpful in matters of this kind. And I think disbarment proceedings are called for in some instances. They should seriously be considered by the respective bar associations of the country. Incidentally, the American Bar Association has a committee and I am sure it is giving a good deal of thought to this matter of disbarment, because it comes up very forcefully now in connection with some of these communistic activities.

The CHAIRMAN. Mr. Theron Lamar Caudle, Assistant Attorney General of the United States, in charge of the Tax Division, has a prepared statement. Would it be satisfactory if we included that statement in the record at this point and made it public, Mr. Caudle?

Mr. CAUDLE. Yes, sir; that will be very satisfactory.

The CHAIRMAN. Are there any comments you wish to make in addition to your statement? We will, of course, have some time with you in executive session, but we would be glad to hear from you now.

STATEMENT OF THERON LAMAR CAUDLE, ASSISTANT ATTORNEY GENERAL OF THE UNITED STATES

Mr. CAUDLE. Senator Kefauver, I do not know of anything other than the statement to state to the committee. We have received in these types of cases from 1946 up to now, cases against 137 individuals, involving more than \$8,000,000, and each of these cases, even when they came to us, received primary consideration of myself and my men, and we worked hand in hand with the Bureau, to strengthen the weak parts that we found. And as fast as we could we expedited these cases out to the United States attorneys all over the country and requested that they give the cases their immediate consideration, as soon as possible, when they had a grand jury sitting in that district.

The CHAIRMAN. All right, Mr. Caudle. We may have some specific matters to ask about in connection with specific cases later on.

Your prepared statement will be incorporated in the record.

(The prepared statement submitted by Mr. Caudle is as follows:)

STATEMENT OF THERON LAMAR CAUDLE, ASSISTANT ATTORNEY GENERAL OF THE UNITED STATES

The Attorney General has just told you that since July 1, 1946, the Bureau of Internal Revenue of the Treasury Department has referred 2,242 cases to the Department of Justice with the recommendation that criminal proceedings be instituted. It should be borne in mind that the typical tax evasion case referred to the Department does not involve underworld characters in the general sense of the term. We are concerned primarily with violations of the internal revenue laws; however, we are most anxious that our criminal tax prosecutions assist the efforts of local law-enforcement authorities in the suppression of racketeering and organized crime. Accordingly, we make special efforts to handle all cases involving gangsters, hoodlums, and racketeers as expeditiously and as vigorously as possible. We are completely aware of the double-barreled public service that a conviction in a tax prosecution inevitably brings. To this end we work closely and cooperate fully with the Bureau of Internal Revenue.

This committee is familiar with the activities of the Department in the gangster era which resulted in the prosecution of the Capones. Indeed, one of your recent witnesses, Jake "Greasy Thumb" Guzik was successfully convicted and served a term in prison as the result of a Federal tax prosecution. Nor have we relaxed our vigilance in more recent times. Within recent weeks Ralph Capone, brother of the notorious "Al," has for his second time been charged with violations of the revenue laws. Other notorious defendants who have been successfully prosecuted within the past few months have been James Rutkin, Newark, N. J., a

former bootlegger, racketeer, and associate of the Adonis gambling ring. He was found guilty of evading tax on \$250,000 extorted from a former associate and has been sentenced to imprisonment for 4 years and fined \$10,000. Another New Jersey case involved Joseph V. Moriarty, who operates a news-vending business, but is locally known as a gambler. He filed no tax returns from 1935 through 1946 and pleaded *nolo contendere* to a charge of failure to file a return for 1945. His net income for 1945 alone was alleged to be \$175,000. A jail sentence and \$5,000 fine was imposed.

R. M. McCoy, Petaluma, Calif., who has been described as a large-scale distributor of punchboards and slot machines in his locality and the owner of a tavern, was prosecuted for evading tax by use of two sets of books to record his punchboard and coin machine income. He pleaded guilty and was sentenced to imprisonment for 4 years.

In Kansas City a series of eight prosecutions has just been concluded. John Mangiaracina, better known as Johnny Mag, is serving a prison term of 4 years for evasion of 1947 and 1948 taxes. This defendant has a record of 48 arrests for crimes ranging from vagrancy to murder, and he has served several prison sentences for robbery and bootlegging. In 1949 he became associated with a large policy-wheel operation by reason of his position and standing in the underworld. He reported income of \$13,675.72 for the years 1946 through 1948, when he earned \$35,610.71. Walter L. Rainey, an associate of Johnnie Mag, was sentenced to 2 years' imprisonment for evasion of income taxes on \$15,433.73 for the years 1946 to 1948. Rainey has been well known in gambling circles in Kansas City for several years and had interests in gambling establishments in Colorado Springs and Kansas City, as well as an interest in a horse book in Kansas City. Thomas Lococo pleaded guilty to evasion of \$47,365.48 taxes on income of \$130,250 received from gambling operations consisting of a dice game, gambling houses, and a horse book. He is reported to have an interest in Universal Distributing Co., a race wire service, and to be the underworld enforcer in Kansas City. He is serving a prison sentence of 2 years and a day on the tax-evasion charge.

Others in the Kansas City crime syndicate are Carl Hoelzel, who is alleged to be the largest distributor of slot machines in the Kansas City area. He has pleaded guilty to evading \$69,261 tax for 1944 and is awaiting sentence. Sam Goldberg, alias Jimmy Jones, filed no tax returns for 1946 to 1948, although he had a net income of \$70,000. He was sentenced to imprisonment for 2 years and a day. Samuel C. Hayden, a former State legislator and assistant prosecuting attorney of Jackson County, was a partner in Town Recreation, the largest gambling operation in Kansas City. He evaded tax of \$1,023 for 1948 and was placed on probation for 5 years. Nagel J. Maroon, a punchboard distributor, was convicted by a jury of evading \$3,097 tax in 1945 to 1948 and sentenced to imprisonment for 21 months and a day. George R. Clark, former county assessor, was sentenced to imprisonment for 4 years and fined \$12,500.

Harry W. Schuermann, operator of a numbers game in the vicinity of St. Louis, Mo., was convicted of evading taxes for 1942 to 1945 amounting to approximately \$140,000. He was sentenced to imprisonment for 4 years and fined \$40,000.

Another prosecution reminiscent of the prohibition era involved Mibail Bodoglou, better known as Michael Potson or "Mike the Greek." Potson was a partner of Jim Colosimo until Colosimo's murder, and since that time has become a notorious gambler. Among his victims were such celebrities as Abbott and Costello and Ted Lewis. He also engaged in bookmaking. He was tried and convicted of evading \$158,000 taxes from 1940 to 1943 and was sentenced to imprisonment for 2 years.

Indictments have been returned or complaints filed against various other big-time gamblers and racketeers. In California an indictment has been returned against Louis E. Wolcher, charging him with evasion of approximately \$30,000 income tax on black-market liquor sales in 1944. Wolcher is reputed to be one of the largest distributors of slot machines and coin-operated devices in the country.

Salvatore Sollazzo, a central figure in the recent basketball scandal, is under indictment for evading taxes of \$210,000 for the year 1944 on income from a jewelry business. A notorious local gambler, Sam Beard, is under indictment in Maryland for evading more than \$400,000 of his tax liability for the year 1944.

Samuel B. Sokol, so-called "society bookmaker," has been indicted for evasion of 1943 to 1945 taxes of approximately \$50,000.

Cases involving racketeers, as this committee must know, are difficult to prove. Gamblers and gangsters do not keep books to show their receipt of income.

Therefore, it is usually necessary for the Government to rely on their year-by-year increases in net worth and their known expenditures. To make this type proof stick in court we must establish a beginning point from which to figure annual increases in wealth. And because these characters must hide their activities it is always difficult and sometimes impossible to establish a starting net worth which excludes the possibility of other hidden wealth.

The cases specifically mentioned involve only a few of the more notorious underworld characters who have been or are being prosecuted. The files of the Division reflect at least 137 cases of this nature in the past 5 years. These examples I have given serve to illustrate the effectiveness of tax prosecutions by the Department.

I do not have any detailed recommendations for tightening the enforcement of the internal-revenue laws except that I believe the statute should penalize anyone filing a return who fails to give a breakdown of all income and deductions. It is assumed that this matter will be discussed in the report to this committee which I understand will be made by the Treasury Department.

The CHAIRMAN. Now, Mr. McInerney, we are glad to have you with us today. You are the head of the Criminal Division. Do you have a written or prepared statement you wish to leave with the committee?

Mr. McINERNEY. I do not.

The CHAIRMAN. Thank you for coming and being with us.

Mr. Mackey, you are Commissioner of Immigration and Naturalization?

Mr. MACKEY. Yes, sir.

The CHAIRMAN. Do you have a prepared statement for the committee?

Mr. MACKEY. No; I do not, Mr. Chairman.

The CHAIRMAN. We have some matters we wish to discuss with you at a later time, also.

Senator WILEY. Is there someone here from the Internal Revenue?

The CHAIRMAN. They will be here tomorrow. They are coming tomorrow.

On behalf of the committee we wish to thank you for your constructive statements, and for your suggestions. I want to say in passing that in our Philadelphia and Kansas City hearings, Special Attorney General Max Goldschein was of tremendous assistance to our committee. As well as your other special attorneys. A big part of your district attorneys have been very active in going out of their way to assist us wherever we have been.

We will now retire to room P36 over in the Capitol. It is the old official reporters' room. It is immediately across from the elevator on the second floor.

We want all of you gentlemen of the Department and the members of the committee and the members of our staff here to join us.

Thank you very much for being here. The committee will stand in recess until 2 o'clock this afternoon.

(Thereupon, at 1:10 p. m., the committee recessed, to reconvene at 2 p. m.)

AFTERNOON SESSION

Senator O'CONNOR. The hearing will please be in order.

Judge Leibowitz, please.

Your Honor, in the case of each witness we have requested they be sworn. I am sure there is no objection on your part to being sworn.

Judge LEIBOWITZ. There is no objection.

Senator O'CONOR. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Judge LEIBOWITZ. I do.

TESTIMONY OF JUDGE SAMUEL S. LEIBOWITZ, BROOKLYN, N. Y.

Senator O'CONOR. Judge, for the record, please state your full name.

Judge LEIBOWITZ. Samuel S. Leibowitz, 102 Coleridge Street, Brooklyn, N. Y.

Senator O'CONOR. Yes, sir; and you are a judge of what court, sir?

Judge LEIBOWITZ. I am a judge of the county court of Kings County.

Senator O'CONOR. And for what length of time, Judge, have you occupied that post?

Judge LEIBOWITZ. I have been on the bench 10 years.

Senator O'CONOR. Ten years?

Judge LEIBOWITZ. Yes.

Senator O'CONOR. You have been actively engaged in the study and survey of conditions in that section of our country, have you not, sir?

Judge LEIBOWITZ. Yes, sir.

Senator O'CONOR. For a period extending for more than the past decade?

Judge LEIBOWITZ. Yes, sir.

Senator O'CONOR. And I know you have been active in the practice of your law prior to your ascending to the bench, and you have also been actively interested, have you not, concerning the formation of a crime commission.

Judge LEIBOWITZ. Yes, sir.

Senator TOBEY. And I might state that this man is modest, but let me just say this, that this man now before us was perhaps the leading criminal lawyer of this country, and the practice of his law was marked by one great thing, seeing that justice was done, and he stands out high in the annals of jurisprudence in this country.

Judge LEIBOWITZ. Thank you, Senator.

Senator O'CONOR. That is, of course, a matter of general knowledge, and that is why you come here with your favorable reputation preceding you.

Might I ask if you have any statement that you might care to make?

Judge LEIBOWITZ. I have not. I have not prepared a speech.

Senator O'CONOR. I see. Well, if you do not have a speech, have you an outline, then, of matters which you think you might like to elaborate upon for the benefit of the committee in connection with its work, and of course, the nature of its work you know so well.

Judge LEIBOWITZ. Yes. Gentlemen, for a long time we have had what is known as a virus, a virus of a different type, and the physicians have been unable to see it under the microscope until quite recently.

Now, the scientist can see the virus on the slide under his microscope, and for a long time our people have felt this virus of criminality.

We have smelled it, it has been close to us, but until the advent of this great committee of the Senate, which has been the microscope that has enabled the people of our country to actually see the virus, nothing

has really been accomplished to such a degree as since the advent of this committee.

Senator O'CONOR. Well, with regard to the extent of the menace, can you give us any details as to what, according to your knowledge and based upon your experience, is the extent of organized crime, either in the immediate communities near which you live, or throughout the country?

Judge LEIBOWITZ. I believe it covers the country like a blanket.

Senator O'CONOR. In what particular forms do you think it is the most serious?

Judge LEIBOWITZ. In all forms, especially in the gambling form, and the dock form, dock racketeering.

Senator O'CONOR. Have you any ideas as to the interrelationships between or among the lawless elements and law-enforcing officials, political leaders, elected officers, or business interests?

Judge LEIBOWITZ. Senator O'Conor, I am the presiding justice over the rackets grand jury in Brooklyn. We have that grand jury now since December of 1949.

With reference to gambling, it has been established as a matter of record that one bookmaker in Brooklyn by the name of Harry Gross paid out over a million dollars in graft in 1 year to the police department, that is, to the venal members of the police department.

Now, he is by no means the only bookmaker in Brooklyn, and if you multiply that by the territory within the city of New York, it is fair to estimate that at least \$25 million in graft has been paid out to the venal members of the police department, so that the gambling racket can flourish.

Senator O'CONOR. Might I break in just to ask a question here?

Judge LEIBOWITZ. Yes.

Senator O'CONOR. Over what period of time, according to your best information, has that condition of affairs existed?

Judge LEIBOWITZ. It has gone on for a long period of time. This is nothing new. It has been going on for more years than we care to admit. It is shameful, it is wretched, it is unpardonable.

The policeman who wears the white shield, so to speak, the plain-clothes man, will not do business with the professional gambler, unless the sergeant knows about it, and either tolerates or shares in the graft.

The sergeant would not carry on in that fashion unless he has the O. K. from the lieutenant; the lieutenant would not stop, or would not enforce the law, if the captain of the police department either knows about it and/or shares in the graft; the captain would not do it unless the inspector does it; the inspector would not do it unless the deputy chief inspector tolerates it, or is either incompetent or is venal; the chief inspector certainly, unless he is blind, or unless he is dumb, or unless he shares in the spoils, will not tolerate it, and I say that the commissioner knows all about it, and if he doesn't know all about it, he does not belong there.

And I say, too, that unless the commissioner gets the tacit or actual approval of the man in city hall, he cannot exist. That is just common sense.

Senator TOBEY. And that is what they call going up through the channels?

Judge LEIBOWITZ. Yes, going up through the channels, and it goes right up to the top.

Senator O'CONOR. Judge, as a matter of fact, from your long experience, could such a general state of affairs exist in a community, with all the public things that are attendant upon it, unless it would be known to the law-enforcement officials?

Judge LEIBOWITZ. There is an old Latin phrase which goes somewhat like this: *Res ipsa loquitur*.

Every lawyer here knows what that means, "The thing speaks for itself."

Senator O'CONOR. Yes.

Judge LEIBOWITZ. I don't think we need any amplification of it. It is self-evident.

Senator O'CONOR. Well, Judge what do you think is the proper method of approach in order to combat such a serious situation in our American life?

Judge LEIBOWITZ. Well, one thing has happened during the course of these hearings before this great committee, and that is that the woman in the home has been brought close to the virus.

Formally, before you had television, before the wide use of radio, a Costello and Erickson was an abstraction. He was something out of a story book. Today, the women of our country have seen these characters, they have been brought right into the living rooms, into the homes, and for the first time, I believe, our women in this country have really been aroused as they have never been aroused before.

I say that is a great thing, because when you arouse our mothers and our sweethearts and our wives and our sisters, then we may get the men to take some action. That is what these hearings have accomplished.

I say glory be to God that they have.

Now, you speak of gambling. You had before you the other day, I believe on Saturday, a man by the name of Brodson. I think something should be said to the people of America about Brodson.

Here you had a man who was a graduate of two universities, I believe, a lawyer, a handsome man, a man of nice presence, an articulate man, and a man of quite some charm. At least, the charm went over the air and into my living room on the television set.

It is really shocking that the youth of our country might get the impression that that is the proper way to live, that a university man, a college graduate, need not go to work, need not practice his profession, but should hire an office somewhere in some city, with some gangster at his elbow, and live the life of Riley on the fruits of gambling and associate with the most venal characters, and I think it should be made clear to the people of our Nation, especially to the young people, that that is not the way to live.

I wish that I could take these youngsters into my courtroom, when I sit on the bench and see some of the people that I sentence to the electric chair, the State's prison, the penitentiary, to see some of the human wrecks that come into that courtroom, people that have frequented the gambling places, have been caused to rob their employees, and in many instances have gone out with a gun and stuck up a haberdashery man, or a taxicab chauffeur, and have resorted to the use of dope, have resorted to all sorts of crimes and venality in order to get the funds with which to go out and gamble.

I wish they could see the women, and the children, and I wish they could hear the anguished cries of mothers and wives and sweethearts

in that tragic place which we call the county court of Kings County.

The results of gambling.

And then this picture that this individual painted, this man, in my opinion, physically looked like a cross between Cary Grant and some other actor, then they would see a true picture of what gambling means, and the youth of our Nation should not entertain the idea that the way to make a living is to sit in an office and engage in gambling.

I think that is an outrage.

Senator TOBEY. Yes.

Judge LEIBOWITZ. And I welcome this opportunity, gentlemen of the Senate, to call this to the attention of the young people of our country.

I say let them go into the criminal courts, let them go into the prisons, let them go into the insane asylums, where people that are broken in body and mind are confined, and there they will see the results of gambling.

It is a pity that a man like Brodson should be permitted, without a challenge, to show off before this committee, and I am happy that Senator Tobey brought out that he was a criminal; I am happy that your worthy chairman, Senator Kefauver, called out to him that this Senate committee is not going to take advice from a character of that kind.

Senator TOBEY. May I interrupt just a minute? What you said about the children, of course, must take first place. We have a letter that came in today from a mother, and she has two children, a boy and a girl, and the boy and the girl had been looking at the television pictures of the crime hearings, and had been looking at television for 3 days prior, and that night the father at the supper table said, "Well, son, what do you think of these crime hearings?" He said, "Father, I think it teaches us to abide by the law, to obey the law."

Now, that was a little boy's testimony, 14 years old.

Judge LEIBOWITZ. Then we have the water-front situation. Just think of it, gentlemen, the poor devil of a longshoreman, earning his few dollars by the sweat of his brow, carting crates and freight on his back, has to pay a tribute every day of his working day to some dirty guerrilla on the water front, some ex-convict, for the privilege of working.

A businessman has to pay a tribute to a no-good dirty gangster for the privilege of taking his merchandise off the docks.

Of course, you have your political side of it: You have your Costello. Well, you have got a Capone, and where you blot out a Capone, you have a Costello, and where you destroy Costello you have another Costello in his place overnight.

Just think of it, a man has to speak to Costello to get a bookmaker off his trotting track.

Senator TOBEY. And pay him \$60,000 for doing it?

Judge LEIBOWITZ. Yes. Candidates for public office, high office, have to crawl on their bellies before a no-good plug-ugly of that sort in order to gain his favor.

Now, that is the situation that has prevailed for a long, long time.

You can go back to the time of Boss Tweed. My memory does not go back that far; I am not as old as that. But that has been a situation that has been with us for a long, long time, rackets, racketeers, and those that protect them.

It has been said, so very ably and succinctly by these two wonderful men who appeared here this morning before you, and I refer to the Attorney General of the United States, Mr. McGrath, and probably the greatest law-enforcement officer in the history of our country, and I think all of us will agree to that, and I refer to the Chief of the Federal Bureau of Investigation, J. Edgar Hoover.

Now, these rats operate while the public is asleep. While the public knows, and you have your Seabury hearings, then there is much to-do about it, and it is just a duplicate of what has happened here, and what is happening here, the people are aroused, men click their tongues, and women say, "Oh, how terrible and how horrible it is that we should have a Luciano and a Jimmy Hines, and a Jimmy Walker, and other people of that kind."

But I venture to say that figuratively speaking when the hearing is over, when the excitement is at an end, when all of the hullabaloo is finished, the boys, so to speak, will go back into business bigger and better than ever, and what I am fearful of is that when you men have ceased to operate, when this committee shall have ceased functioning, the boys will be in business bigger and better than ever.

Senator TOBEY. Well, on that point, what is your judgment, sir, if you please, on the wisdom and need of continuing this committee, rather than letting it die on April 1?

Judge LEIBOWITZ. I think it would be a tragic thing, it would be a disservice to America, to terminate the life of this committee, either in its present form or in some other form. I am not speaking of the form as it is contemplated.

There has not been within my memory, as a citizen, as a lawyer, and as a judge, any body of men that has rendered the service in alerting our people, in dragging these rats out into the open, so that the spotlight of public opinion can shine on them.

Senator O'CONOR. Well, Judge—

Judge LEIBOWITZ (continuing). As this committee has done.

Senator O'CONOR. Yes. Just in that connection, and I questioned Mr. Hoover about that very thing, because in our experience we have known of so many instances where there has been great public interest, which then subsides, and conditions return very much to what they were before.

Is there any other suggestion that you can advance that would give assurance against that so that it might not happen?

Judge LEIBOWITZ. Well, Senator O'Connor, I firmly believe that the Senate should continue, either by way of this committee, or some commission—it may be wise for the President to appoint, say, five citizens, with subpoena power. I believe one of the citizens should be a member of the American Bar Association, so that you would have on the committee a duly qualified representative of the bar of the country to safeguard legal civil rights. It may be that it would be wise to have two Members of the Senate, one from each party, serve as ex-officio members on this committee; likewise two Members of the Congress, the House of Representatives, one from each party, to serve as ex-officio members of the committee; it may be proper to also have the head of the FBI serve as an ex-officio member; likewise the Attorney General; likewise the Chief of the Income Tax Bureau that deals with fraud; likewise the Chief of the Naturaliza-

tion Bureau; likewise a member of the Coast Guard; and likewise a member of the Secret Service.

Now, these five men on the commission, citizens all, would be granted the power of subpoena, and they could take up the job that you men have so onerously carried on over this country, traveling so many thousands of miles from the Pacific to the Atlantic, and from Canada down to Texas.

It may be some sort of committee of that sort would serve the purpose, and would accomplish the good that is necessary.

There should be periodic investigations such as this.

The local entity cannot cut across State lines, and your crooks today operate across the country. In the winter they are either in Chicago or in St. Louis or in Detroit, or in Manhattan and New York, and in the summertime they go down for the Florida tan, to Miami.

So if you had a commission of this sort, you would be able to reach across State lines with subpoena powers.

Now, what would be the function of a commission of this kind? It would be the means of correlating all of the information that would be obtained by local crime commissions. It would be the means of spotlighting what you have done with this wonderful work that this committee has accomplished, and in that way you will drag the crook out into the open.

To me it is not a matter of more laws. Every time we have a crime wave, there is a cry, "Give us some law. Let us have another law."

Mr. Hoover pointed this out so very eloquently this morning, that rather than laws we need men of character who will enforce the laws, men of courage, men of independence, men who are free, free of political and underworld ties.

Senator TOBEY. Right on that line, you know what Thomas Carlisle said. He said:

The American people is that people which think they can avert fate and postpone doomsday by an act of Congress.

That is the blind faith people have in passing laws.

Judge LEIBOWITZ. That is about it, Senator Tobey.

Now, this crime committee or commission, call it what you will, would be working in conjunction with a local crime commission.

The trouble with our people is that they become lethargic, they become cynical, and they say, "Nothing can be done. It is too well rooted. It has been too long in operation. I am powerless as an individual."

So people look at it over the television, and listen to it over the radio, and they are horrified, but they say to themselves, "There is nothing that I can do about it."

Now, I believe that something can be done about it, and we have got to point out to the American people just how to go about it, instead of talking in glittering generalities, and in mouthing pious phrases, and here is what can be done about it:

Let's take Miami. The bar association—now, the score, so to speak, down in Miami, the bar association called a mass meeting in an armory, and some 3,000 people attended. I believe the Attorney General spoke there.

Senator HUNT. Judge, may I ask you, before or after we were down there?

Judge LEIBOWITZ. Before, sir.

Senator HUNT. Yes.

Judge LEIBOWITZ. And as a result of that mass meeting the citizens got together, and they formed the Miami Crime Commission.

Miami, of course, was the hangout for all of the big-shot criminals of America. They infiltrated into businesses there, and several of the hotels along the beach front, and one hotel, I think, came to the attention of this committee, when it was found out—that was the Wofford Hotel, the Wofford was owned by gangsters, one of whom was Little Augie.

The citizens got together, and they knew that they were dealing with the paralysis of the public officials. Let us be charitable about it, and call it paralysis instead of something more ominous.

They knew they could get an action. They knew that \$100,000 or \$150,000 was contributed to the campaign fund for the governorship. That was brought out before this committee, I believe. So they banded together, and they formed this crime commission, and what happened?

The underworld got busy, all of us who have been in Miami know Lincoln Road, that is the Fifth Avenue of Miami Beach, and so the underworld would send its agents around to the storekeepers, they would go into a haberdashery store and say, "I want to buy some shirts."

Now, it would be nice looking individual, with a pair of horn-rimmed glasses, with a black ribbon attached to them, and he would look like a banker, or a broker, or some business tycoon, and he would purchase some shirts, and then he would lean over confidentially to the storekeeper and say:

"Isn't this terrible, my friend and I came here to Miami Beach to have a good time, and look at all those blue-nosed reformers, those fakers, that are trying to put over their crime commission idea. We come here for a good time, and we will not come here again, let me tell you, Mr. Storekeeper, you will have to close up shop if this thing continues." And so they went into the banks, and so they went from store to store, from shop to shop, from business to business, spreading this propaganda.

Then they got out these little smear sheets, four- or six-page papers, in which they lambasted the crime commission and its members, and they said they were fakers, that were working for another gang that wanted to muscle in, they wanted to become public officials, and they dropped these papers on the doorsteps of householders there in Greater Miami.

Senator HUNT. They also went on the radio.

Judge LEIBOWITZ. Yes; on one station, Senator, but not the others. That was one station controlled by the gangster element. And they lambasted these people, they held them up to public ridicule.

You take a community like Miami Beach, which lives off the tourists, and you spread propaganda of that kind, and you say, "The hotels are going to be empty next year, and people are going to go to Habana," and you can see what effect propaganda of that sort wields.

I want to say this, as a tribute to these two men that head that Miami committee, and I refer to Colonel Younger and Dan Sul-

livan, I say they kept their teeth gritted, and their fists clenched, and they went out and battled over the greatest of odds, and every Saturday night on the radio, on a combined radio network, with the exception of this one station, they told the story of gangsterism, and what it meant to the people of Miami.

I think they have got them on the run. Of course, you have got betting in the hotels today. But they are on the run, and if we can keep them on the run, I think something really good will be accomplished.

Now, they work under a budget of \$25,000. They have a little office in a hole in the wall place down near the Dade County courthouse, and they have done a remarkable job.

We in New York have taken a lot of inspiration by what this little band of patriots, of Americans, of decent God-fearing people, have done in Miami.

Now, in New York, the grand jury, as I said a moment ago, asked the district attorney and myself to bring together a group of citizens to form a crime commission.

The grand jury realized that their work would be only temporary, that these investigations, these sporadic investigations, accomplish little unless they are followed up.

So we went out and brought together a group of citizens, we screened them carefully.

Some one mentioned A. Spruille Braden, the former Ambassador to Argentina, the former Assistant Secretary of State, a two-fisted, upstanding he-man, a great American, and he was made chairman of this crime commission.

You have such men as Thomas I. Parkinson, an officer of the Equitable Life Assurance Co.

Then S. Sloan Colt, the president of the Bankers Trust Co.

Then you have the president of R. Hoe & Co., Joseph L. Auer. In Brooklyn you have Henry Davenport, the president of the Home Title Insurance Co. in Queens, which is a part of Long Island.

You have the president of the Jamaica Savings Bank, John I. Diss, a name that is well known in that part of the city, and you have some great, great men and women on that committee. You have labor represented. You have the CIO and the A. F. of L. You have education represented. You have social endeavors represented. In sum, you have a wonderful group of men and women who are devoted to the idea of cleaning up the city of New York, cleaning out the racketeers and the grafters, and what is more important, the venal, dirty people that protect them.

I would let a Costello go a thousand times if I could lay my hands on the wretch who protects him, that makes it possible for the Costellos to live.

And so they are at work now, all races, all creeds, and with the help of this committee, and with the inspiration that we got from Senator Kefauver, and the inspiration we got from J. Edgar Hoover, the committee is just about starting to do business.

What does it propose to do? It proposes to keep its eye on the police department. The police department, even today, is not what it should be. They have cleaned out the lower echelon, they have cleaned out the plain-clothes men in a body, but I venture to say that there are some of the higher-ups, who are the chiefs of these plain-

clothes men, who knew, or should have known what was going on, and if they did not know it, they did not deserve to be policemen or detectives, but some of them are still there.

Now, I am patient, the grand jury is patient, District Attorney McDonald of Brooklyn is patient, we are all so patient. We are waiting. We are going to give the police commissioner plenty of opportunity to clean out the house.

He has done a marvelous job in cleaning out the cellar, but we will be patient and see if he will clean out the garret. If it is not cleaned out, you can bet that something will be said.

Now, that is the situation in New York.

The CHAIRMAN. Judge Leibowitz, the members of this committee have followed with a great deal of appreciation and interest the work of you and State's Attorney Miles McDonald in the Kings County Grand Jury, and its creation of interest as evidenced by the Anti-Crime Committee of Greater New York, which I feel you and Mr. McDonald were largely responsible for. That gives us great heart, that the people, now that they know the facts more fully, are doing something about these things themselves.

As you say, after all, that is where the remedy is going to come in the final analysis.

I have been somewhat afraid that if we continued on intensely in our investigation in the Federal Government or in Congress, that there might be an inclination on the part of some people to want to pass on their responsibilities or their burdens to us, instead of doing it themselves, like you have done and are doing in Greater New York.

Don't you think that there might be some possibility of that?

Judge LEIBOWITZ. Well, I don't think so, Senator Kefauver. I agree with you that the job is a job for the local community, as Mr. Hoover pointed out this morning, and as the Attorney General pointed out, but the local community has no power of subpoena, the local community cannot command the attention that this committee has commanded from one end of the country to the other, and so a national crime commission or crime committee of whatever form is evolved, working in conjunction with these local crime commissions, giving them the inspiration that they need, in my opinion, would be the solution.

The solution in what respect? In alerting the people, and in keeping them alerted.

It is easy to alert them, but Theodore Roosevelt once said that, "Today's newspapers make good fuel for tomorrow's fires."

Now, that was said back in 1912, when I was just a youngster in Cornell and heard him make the speech in the Lyceum Theater in Ithaca.

The CHAIRMAN. The committee has some questions to ask you as soon as you have finished with your direct statement, so when you have finished, will you let us know so that we can start questioning?

Judge LEIBOWITZ. I would like to make one other observation, and that is something that is very ominous. I don't know whether crime has really increased over the past 20 years, so far as numbers go. Maybe it has, slightly, and maybe it has decreased slightly, but there is one thing that I have noticed over the years, and that is the age of the criminal is steadily declining, so that today we have a veritable

procession of kids coming into our courts, charged with everything from robbery to assault to murder.

That has been the disheartening picture that I have seen from the bench, and I believe it is due to one thing, generally speaking it is due to the fact that we have not set an example for the youth of America.

It is due to these Brodsons that sat here the other day, it is due to the fact that the older person winks at the violation of the law, and it is due to the fact that we treat these things lackadaisically, so we reap in the harvest.

The other day I had a 16-year-old young girl before me—16 years of age—the mother of a child of one, and about to have another child. She was arrested for forgery. She stole from the mails and forged a check with which to buy dope.

Now, I wish you gentlemen could have sat on that bench and have seen the lines on that youngster's face that heroin had etched, and I suppose you would have felt the same way I did, you would have wanted to go out and get the dope peddler and just whip him and lash him.

But the dope peddler finds his way to the Costellos, and it is the Costellos and his ilk that collect the big money.

So these crime syndicates have resulted directly in an increase in juvenile delinquency and juvenile crime.

I might say, too, before I stop, that I don't like the idea to go abroad that New York City is a community of law breakers. We believe we have got as clean a city and as fine a population, and as God-fearing people as there is in any other part of this country. I am proud of my city. I am proud of Brooklyn from which I come. I am proud of the Dodgers, too.

Senator TOBEY. Did you say Brooklyn?

Judge LEIBOWITZ. Yes, sir.

Senator TOBEY. That is where the tree grows, isn't it?

Judge LEIBOWITZ. That is where the tree grows.

I might point out something else that might be of interest to the Senate, and of interest to the people who are listening.

We have a sort of political renaissance in Brooklyn, strange as it may seem. Where did you ever hear of a political organization, a Democratic organization, encouraging and supporting and backing up the work of its Democratic district attorney in an investigation? And I say this advisedly, that a great tribute should be paid to Frank Sinnott, the leader of the democracy of Brooklyn, because he is a clean, God-fearing, decent man, and he has held up the hand of Miles McDonald, and encouraged him to go on. I say that is a new breath, it is new political breath in the atmosphere, and I hope to God that it continues that way.

I think I should point this out to this committee, that not all politicians are crooked, not all people in public life are grafters, and not all leaders of parties, either Republican or Democrat, are in league with the underworld, and there is an example of it right here in Brooklyn—well, I should not say "right here," but I should say, "Over there in Brooklyn."

The CHAIRMAN. Excuse me for interrupting you, but I think the intelligent party leaders all over the United States—and we have run into lots of them—I think the majority of them are that way, whether they be Democratic or whether they be Republican, that they

have a situation in which their party is involved, and they realize that it is for the good of their party to clean it up, to get the sore out, whichever party may be involved.

So we have had the same experience in other sections that you have had in Brooklyn which, I think, speaks well for most part of our political parties.

Now, Senator Wiley, do you have some questions to be asked?

Senator WILEY. Judge, had you finished the main part of your statement as of now?

Judge LEIBOWITZ. Yes.

Senator WILEY. Judge Leibowitz, as one of those damn Republicans, I want to compliment you. I think that your position here today, as viewed by the millions, has given something of strength to the people who are looking for strength. You, of course, with your fine background, are tremendously familiar with this New York scene, and you have told us that you did not think that mere periodic reforms would do the job, but that you felt, as I understood your statement, that they must be continually brought before the people, that crime does not pay, that crime creates tragedy, that you cannot glamorize crime without affecting the minds of the youth, either, can you?

Judge LEIBOWITZ. You cannot, sir.

Senator WILEY. And don't you think, as a matter of fact, that that has been one of the things that has contributed to the delinquency of youth is the fact that we have glamorized it?

Let me just use an illustration. When I was a boy we used to read the Alger books that brought out the facts of the successful man.

Then there came a time when the successful man was torn down. He, of course, was looked upon as a fellow who had not created jobs of wealth, but had gotten too much of his share of the material goods.

Now, it seems to me that that period contributed largely to the moral demoralization of our youth.

You brought out one thing here that interested me. You spoke about the lawyers, and you have been a great attorney and prosecutor. The public might not be aware of the fact that criminal law contributes one of the most important segments of the legal profession.

We have had lawyers before us—in fact, one that represented one of these chaps out in California was murdered within a week afterward.

Now, I would like to get your reaction to the obligation of a lawyer, whether they can step over the bounds of merely providing, say, legal advice, which is their duty, and I wonder if you would comment on the shadowy area beyond which a lawyer can legitimately go in defense of these criminals and advising them, and so forth.

You are a lawyer and I am a lawyer. We have seen many instances where the guys that are doing the job are some of the smart lawyers, and I would like to get your reaction to it.

Judge LEIBOWITZ. Well, there are criminal lawyers and lawyer criminals.

Do you remember the Dixie Davises, and the Bill Fallons, and the McGees, and the Howes, and the Hummells, and then, on the other side, you remember the Clarence Darrows.

Darrow was a criminal lawyer.

Senator WILEY. Yes; and I remember the Leibowitzes, too.

Judge LEIBOWITZ. Well, thank you, sir.

But Darrow was a great criminal lawyer, a great humanitarian, and while some of us may not have subscribed to his philosophy, he was a great man.

Then you have the other side, and you have the other professions; you have the shady doctor, the shady politician, and once in a while you get a culprit, a rascal, on the bench. We sent one fellow to Federal prison from the southern district of New York. Need I mention his name?

So you have them in all professions, and in all walks of life. You have them in business. You have them everywhere.

But I want to say this: That the criminal lawyer, the real criminal lawyer, is just as clean, just as ethical, just as fine, and as decent as the lawyer in any other branch of the legal profession.

I know that, because as a judge I have seen them try cases in my court. There is such a thing as a man defending a person accused of crime, murder, robbery, or any other crime, and seeing to it that he gets his day in court fairly and honestly, according to our laws and our Constitution. That is one thing.

And then it is another thing to be in the hire of some gang to advise the gang how to operate, and to be at the beck and call of the gangster, or act as his right-hand man.

I think I have answered the question, Senator, the best I can.

Senator WILEY. You have answered it, possibly to the satisfaction of everyone here, but what I am getting at is, in simple language, every man accused of crime is entitled to be heard before he is condemned and before he is convicted. It is the function of a lawyer to advise him of his rights, and see to it that in court he gets his constitutional rights, but it is not his function to become part of another crime in suborning testimony in witnesses or doing more than seeing that the man's constitutional rights are protected.

Judge LEIBOWITZ. That he has his day in court.

Senator WILEY. That he has his day in court.

Judge LEIBOWITZ. Yes, sir.

Senator WILEY. Another thing that you have mentioned, that I have reference to is, you spoke about civil liberties. You have been identified for a long time with the protection of civil rights of the American citizen, particularly in minority groups.

I wonder if you would care to comment on some of the implications of the televising of congressional committee proceedings on the civil rights of witnesses. I realize that this is an entirely new field that the courts will have to spell out.

As a great attorney, perhaps you might have some offhand reaction of what is involved.

Judge LEIBOWITZ. Well, Senator, I was a lawyer in the Scottsboro case. I defended the nine Negroes down in Alabama, and I came face to face with civil rights of a minority, and am very keenly interested in that phase of the proceedings.

Of course, it's one thing to have a television camera in a place like this, and it's another thing to set up a television camera with Kleig lights in a courtroom. So I think it would be well for the members of this committee, or other Members of Congress, the Senate and the House, to cooperate with our American Bar Association, sit down with their committee, and to formulate a carefully thought out plan how to handle this new giant, this new instrument that is just about a day

old, so to speak. It may be dynamite. It may cause untold harm where good is desired. And I would most respectfully suggest to you, Mr. Chairman and the other members of the committee, that a careful study be made with the cooperation of our American Bar Association along that line.

Senator WILEY. I might say I have given considerable thought to the matter. I expect to introduce a bill tomorrow and have it referred to the Rules Committee, and I am sure we would want the advice of the bar. I am particularly interested from my own experience on this committee—there is no need when we have men like you and Director Hoover, there is no need for executive meetings to know what men of your character would testify to. But the opportunity presents itself, as I see it, if we get a criminal before us, with 20, or 30 or 40 million people looking in, and he says he faces Judge Blank so much, what have we done?

Judge LEIBOWITZ. You have destroyed Judge Blank.

Senator WILEY. Not only that, sir, but you were talking a few minutes ago about the youth of this country, about the criminal, and the reaction of many of them is, "Well, a man in high places can get his take." You can't erase it. The responsibility is so tremendous, as I see it, that we must not overlook that very factor—when we are dealing with crooks, we have got to expect them to be in a crooked business, and we have got to see to it that that crooked business does not termite, does not injure these growing youngsters. So I am glad to get your reaction to that, sir.

I feel that your talk this afternoon, as a member of the court, as a man who has made a grand reputation of integrity, has done a great job.

I liked your idea where you said that for the first time perhaps the women of the country are aroused. Well, if we arouse them, the men will have to go straight, if I know anything about the women.

Judge LEIBOWITZ. May I offer just one other observation, Senator Kefauver?

The CHAIRMAN. Yes.

Judge LEIBOWITZ. I think there were seven points that the American Bar Association raised with reference to these congressional hearings. I think the committee covered six of them amply and admirably. It is my belief that when a man is accused by a witness before a committee such as this, that he should be given the right to cross-examine. That's most forcibly demonstrated, the importance of it, by what transpired the other day in New York when one witness testified that he gave a certain amount of money to another individual mentioned in the investigation. I believe that if that individual so accused had been told by the committee, "Now, here you have heard the story. Cross-examine him to your heart's content. Ask him any question you like." I think the American people would have been able to resolve the question as to who is telling the truth much more readily than the situation is now, in other words, that it has been left up in the air.

So I would most respectfully suggest to you, Senator O'Connor and the other members of the committee, that that be taken under consideration, namely, the right of a witness or a person who has been accused to cross-examine his accuser instead of merely direct testimony without cross-examination.

Mr. HALLEY. Mr. Chairman?

The CHAIRMAN. All right, Mr. Halley, but we must move on very rapidly, we have several other witnesses this afternoon.

In that connection, I think it should be pointed out—I agree with you fully, Judge—that the right of cross-examination or any other right is a good one, and this committee has tried to go as far as we possibly could in seeing that everybody had every right that they wanted. The difficulty is that you never can tell when some testimony is going to come out and to ask witnesses to stay around on the idea that some testimony might be brought out about them, as one witness testifies one day and another witness the next day, it is very difficult to handle. We try to bring out all angles by committee counsel, but if some means could be devised where that could be done, I agree with you that that would be a good thing.

Now Mr. Halley.

Mr. HALLEY. I did want to point out, both to Judge Leibowitz and to the committee, that the committee has on occasion, where the request has been made, permitted cross-examination of one witness by another within reasonable bounds, and that did occur right in New York City when one witness, Commissioner Moran, was accused by a fireman, who had been outside of his office, of having a visitor by the name of Weber. Moran was allowed to propound certain questions which were then asked of the fireman.

I did have one question, Mr. Chairman, and it is simply this: You have stated, Judge, what the committee could do, what the Department of Justice could do, what the police could do. I wonder if you would not care to comment on the one man who could do the most, I think, at this point, and that would be the man who bets \$2 on a horse or 5 cents on a number. This is one opportunity you might have, based on your experience, to stress the important fact, if you would, of the cooperation that can be given by the man who does the betting.

Judge LEIBOWITZ. Well, Mr. Halley, to us who live the problem, the thing is so simple. You take the citizen who goes to the periodical store and tells the man behind the counter, "Bet me \$2 on Faltering Filly in the third, or Stumbling Stallion in the fourth"—he doesn't think he is doing anything wrong. He feels that if he can go to the window at Belmont Park and put his \$2 in through the wicket and get a ticket, going to the candy store is no whit different from that as far as moral turpitude is concerned. But he loses sight of one fact—that it is that \$2 bill, multiplied by thousands of \$2 bills, yea, millions of \$2 bills, which makes a Costello possible, which makes an Erickson possible.

That's the answer to it. And if the citizen were alerted to what he is doing when he bets his \$2 on the street corner—that he makes a gangsterdom possible and he makes them thrive and gives them the sustenance that they want—he will then realize that it isn't merely the betting of the \$2 bill, it is violating the law, and that is encouraging gangsterdom and criminality.

We had 5,000 people locked up in 2 years for gambling and not one of the 5,000 was sentenced to a jail term. Oh, yes, just a little handful served a few days in jail because they couldn't afford to pay the fine, but not one was sent directly to jail.

I had one man before me—if you will forgive me for just one moment more—by the name of Mike Hockmeier. Mike Hockmeier was arrested 62 times—62—and never served one single day in jail.

Now what the judges are doing is merely symptomatic of the feeling of the community. We have fine judges. I am not either indirectly or directly seeking to criticize the judges of our courts. They are merely reflecting the apathy of the community with respect to this subject.

The CHAIRMAN. All right, Senator HUNT.

Senator HUNT. Judge, you made some reference rather directly to delinquency as the source of supply of gangsterism. I am wondering if you would comment, make an observation on gangster motion pictures and its effect upon youngsters.

Judge LEIBOWITZ. Well, we are living in a different age, Senator. The kid today isn't what he used to be. It's the same all over the country. There is less of respect for authority, less of respect for the authority of the parents, of the clergymen, of the house of God, of the teacher in the public school, of the policeman on the street corner dressed in his uniform with his shield. Mr. Hoover pointed that out so beautifully this morning—of the degeneration of the morality of the country at large. It's not reflected solely in crime; it's reflected in the attitude of the people toward law enforcement. And I hope that the time will come quickly when there will be a reawakening and a return to the fundamental things in life, to the spiritual things in life, to the decent things in life.

Now about these moving pictures with gangster films. If you don't have it in the moving pictures, you have it in the magazines. They go to the stands today, and what do they sell? What's the No. 1 article that sells on the newsstands? The detective magazines, the crime magazines, the magazines dealing with crime and with gangsters and with racketeers.

Was it Senator Wiley who pointed out, or Senator Tobey—

Senator WILEY. Glamorizing.

Judge LEIBOWITZ. Yes—about the reading of the Horatio Alger stories. Today they read about Kid Twist and Scar-Faced Al, and what was the name of the character that was mentioned the other day by this gambler—"No-Legs"—

Mr. RICE. "No-Legs" Charlie Rosenbaum.

Judge LEIBOWITZ. "No-Legs" Charlie Rosenbaum.

The CHAIRMAN. Any other questions?

Senator HUNT. Yes; I have.

The CHAIRMAN. I must say that I wish we could spend the whole afternoon talking with Judge Leibowitz. He has had lots of experience, and his ideas are good. But we have a very heavy schedule, so we must make our questions brief and our answers short, if you will, Judge.

Senator HUNT. Judge, the local law-enforcement officer occasionally would be greatly helped if it were legally possible for him to tap wires.

Judge LEIBOWITZ. Yes, sir.

Senator HUNT. Make an observation on that, would you, please?

Judge LEIBOWITZ. Well, under the laws of the State of New York, by court order a police officer may tap a wire. We tapped wires in Brooklyn, we tapped the wires of the gangsters in the truck racket, and we broke their backs with that by putting them in prison for 15 years, and we drove them out of town. That was due solely to the tapping of wires.

I think there ought to be some change in the law which would permit a public official to tap a wire pursuant to a court order, upon being submitted the proper affidavit. I am heartily in favor of that.

Senator HUNT. Thank you.

Judge LEIBOWITZ. The rule is different in the Federal courts from what it is in the State courts—notably in New York.

Senator HUNT. There are two States where it is legal; is it not?

Judge LEIBOWITZ. It is legal in the State of New York by court order.

Senator HUNT. And one other.

Judge LEIBOWITZ. I have signed many of these court orders in this racket investigation.

The CHAIRMAN. Senator O'Connor.

Senator O'CONNOR. No further questions, thank you.

We are certainly indebted to you.

Judge LEIBOWITZ. I want to say I am deeply grateful to the committee for this opportunity. It is heartening to an immigrant kid that came here from the other side to come here before this great body, this great committee, and to sit here in this place. I am deeply grateful to you gentlemen for this opportunity to say these things to this committee.

The CHAIRMAN. Judge, we wish you well with the anticrime committee in New York. We think you are off to a good start. Your backing and faithful work in that direction has certainly meant much to the forces of good government in New York. We appreciate your coming here very much.

Judge LEIBOWITZ. Thank you.

The CHAIRMAN. Mr. Coy—Wayne Coy, Chairman of the Federal Communications Commission.

Mr. John Burling, associate counsel for the committee, sent Mr. Coy a letter setting forth certain suggestions which we have been considering and the staff has worked on—may we have better order, please—presenting a method of handling and getting at, or attempting to get at the wire service upon which bookmaking and wagering is predicated, and which many of us feel is the arterial system of bookmaking in the country. That letter will be made a part of the record at this point and copied into the record. That is necessary because Mr. Coy's statement is in response to that letter. Is that correct, Mr. Coy?

Mr. COY. Yes.

(The letter referred to is identified as exhibit No. 45, reads as follows:)

MARCH 16, 1951.

HON. WAYNE COY,

Chairman, Federal Communications Commission, Washington, D. C.

DEAR MR. CHAIRMAN: As you probably are aware, this committee is scheduled to go out of existence on March 31. It desires to hold its final, formal closing hearings on March 22 and 23. At these hearings various Federal officials will be asked to testify concerning matters within their respective jurisdiction and relating to facts uncovered by this committee's investigations. It will be very much appreciated if you will come before the committee on Friday, March 23, at an hour to be fixed later, and give us the benefit of your experience and advice concerning several matters.

The most important topic about which the committee would like to have you testify can be described as the race-wire problem. The investigations of this committee have abundantly confirmed your view, expressed when you previously testified before the committee, that the dissemination of racing information

throughout the country by means of specially leased wire circuits presents an extremely grave problem. It is this committee's view that the race wires are analogous to the nerve system of organized crime throughout the country and that if a means could be found to cut the flow of spot racing news to bookies when the news crosses a State line, a major step forward in assisting local law enforcement could be taken.

The problem is a difficult one because it involves stopping the flow of information which is disseminated for the purpose of violating State law without interfering with the freedom of the press or with legitimate news. While the thought of this committee has not yet been crystallized, one approach which the committee feels should be thoroughly explored would be to place the matter under the jurisdiction of your Commission. Put very tentatively, the thought which this committee is exploring would be to make it unlawful for any person to engage primarily in the business of disseminating information concerning dog racing and horse racing in interstate commerce by means of telegraph, telephone, or radio without an annually renewable license from the Federal Communications Commission. Such license would not be issued by the Federal Communications Commission unless the applicant therefor affirmatively established to the satisfaction of the Commission that such information was not to be distributed primarily for use in the facilitation of violation of State law. Where it appeared that the information was to be disseminated to a subdistributor, the distributor would be required to make the same showing with respect to the subdistributor.

It may be that you will wish to have your general counsel's office examine this suggestion and, in any event, the committee would appreciate the benefit of your views with respect thereto.

The committee would, of course, be interested in hearing any other recommendations or comments which you might care to make within the field covered by the committee's investigations.

Sincerely,

ESTES KEFAUVER, *Chairman.*

The CHAIRMAN. Will you stand, Mr. Coy. Do you solemnly swear the testimony you will give this committee will be the whole truth, so help you God?

Mr. COY. I do.

TESTIMONY OF WAYNE COY, CHAIRMAN, FEDERAL COMMUNICATIONS COMMISSION

The CHAIRMAN. You are Wayne Coy, Chairman of the Federal Communications Commission?

Mr. COY. I am.

The CHAIRMAN. And how long have you been a member of that Commission, Mr. Coy?

Mr. COY. Since December 1947.

The CHAIRMAN. And how long have you been Chairman?

Mr. COY. Same date.

The CHAIRMAN. Prior to that time what did you do?

Mr. COY. I was assistant to the publisher of the Washington Post for a period of about 4 years' time, part of that time being general manager of their radio station in Washington. Prior to going to the Washington Post I was employed by the Federal Government from 1935 until 1944.

The CHAIRMAN. All right, sir. And the Federal Communications Commission has five members?

Mr. COY. Seven.

The CHAIRMAN. That is right; six plus the Chairman?

Mr. COY. Correct.

The CHAIRMAN. That is correct.

Very well, Mr. Coy you have a prepared statement and let's get on.

Mr. COY. Mr. Chairman, would it be possible for me to have read or to read the third paragraph of the draft letter to me which outlines the problem to which I am directing my statement here?

The CHAIRMAN. That is the letter that Mr. Burling wrote, Mr. Burling's letter?

Mr. COY. Yes.

The CHAIRMAN. If I may have it, we will let Mr. Burling read it. He can probably read it better since he wrote it.

It is the letter of March 16, 1951, to Mr. Coy. Read the pertinent parts of it, Mr. Burling.

Mr. BURLING. I think so that the status of the letter may be clear, Mr. Chairman, I might state I prepared this letter for your signature when you were in New York. I took the liberty of sending Mr. Coy a copy, with my own personal note that it was my draft only and that I spoke solely for myself. Thereafter, after Mr. Coy received it, you read it and I believe approved it, although I believe Mr. Coy does not have a signed copy signed by you.

The CHAIRMAN. All right. Anyway, let's read the pertinent part of the letter.

Mr. BURLING (reading) :

The problem is a difficult one because it involves stopping the flow of information which is disseminated for the purpose of violating State law without interfering with the freedom of the press or with legitimate news. While the thought of this committee has not yet been crystalized, one approach which the committee feels should be thoroughly explored would be to place the matter under the jurisdiction of your Commission. Put very tentatively, the thought which this committee is exploring would be to make it unlawful for any person to engage primarily in the business of disseminating information concerning dog racing and horse racing in interstate commerce by means of telegraph, telephone, or radio without an annually renewable license from the Federal Communications Commission. Such license would not be issued by the Federal Communications Commission unless the applicant therefor affirmatively established to the satisfaction of the Commission that such information was not to be distributed primarily for use in the facilitation of violation of State law. Where it appeared that the information was to be disseminated to a subdistributor, the distributor would be required to make the same showing with respect to the subdistributor.

The CHAIRMAN. Now the entire letter has been read into the record. Will you proceed, Mr. Coy.

Mr. COY. As you will recall, I also appeared before this committee last year at the outset of its investigation of crime conditions throughout the country. At that time my testimony was primarily concerned with giving the committee some background material in connection with the operation of Continental Press Service. However, I did suggest for the committee's consideration two basic approaches to the problem of coping with the interstate transmission of gambling information. In the first place, I suggested that this committee consider the proposal for legislation which the Commission had submitted to the Senate Interstate and Foreign Commerce Committee last year when it was holding hearings on S. 3358, which was also directed toward halting the flow of interstate gambling information. The Commission's proposal would make it a crime for anyone to transmit bets, wagers, betting odds, or prices paid, by means of interstate communications facilities. The second suggestion which I made at my previous appearance was that this committee investigate the possibility that Continental Press Service has been violating the Federal antitrust laws.

In the very short time that has been available since I received your letter of March 16, 1951, I have considered the tentative legislative proposal which your committee has advanced for dealing with the problem of interstate transmission of gambling information. As I understand this proposal, it would make it unlawful for anyone to be primarily engaged in the business of transmitting horse- and dog-racing news by means of interstate communications facilities unless he has first secured an annually renewable license from the Federal Communications Commission. Before such a license could be granted, an applicant would have to prove to the satisfaction of the Commission that the information to be transmitted was not to be used primarily to facilitate the violation of State laws, including, of course, State laws against gambling or bookmaking. I assume that this proposal is designed to overcome one of the primary objections which has been raised to the complete ban on certain gambling information—namely, bets, wagers, betting odds, or prices paid—which the Commission proposed; namely, that it would prevent newspapers and radio stations, as well as all other persons, from sending that information by means of interstate communications facilities even where the objective of such transmission is the making available to the public of so-called legitimate news rather than aid to illegal gambling or bookmaking.

The committee's proposal would apparently place the entire, or almost the entire, burden of administering this legislation on the Federal Communications Commission, and would require the Commission to make difficult if not impossible administrative determinations. The Commission would have to determine with respect to all persons in the country who use interstate communications facilities to send horse- and dog-racing information whether or not such use was primarily for the transmission of horse- and dog-racing information. Also, the Commission would have to determine in every case whether or not the horse- and dog-racing information was being transmitted primarily to facilitate the violation of State laws, a judgment which would require inquiry at every community of destination of the information, inquiry into the character of the operations of each receiver of the information, and determinations as to whether such receivers are violating State laws. Frankly, I cannot understand by what rationale it is concluded that the Federal Communications Commission should be the agency of Government to make either of these administrative determinations. They involve problems and considerations which are hardly pertinent to the basic purposes of the Commission's common-carrier regulatory functions which have to do with assuring the public of adequate service at reasonable charges. Most certainly the function proposed to be given to the Commission, related as it is to the stamping out of criminal activities, is hardly one which is reasonably related to the basic common-carrier regulatory function.

A general idea of the immensity of the licensing task involved will be obtained from information developed by the Senate Committee on Interstate and Foreign Commerce in its hearings last year on this general question. The data developed shows that currently Continental's major circuits are located in some 40 cities and feed directly into Continental's 24 primary distributors, who in turn connect with about 2,500 subdistributors. These subdistributors, in general, use one of the three following methods of redistribution to the ultimate users of the news: (a) high-speed ticker circuits leased from Western

Union; (b) voice circuits leased from either Western Union or a local telephone company; or (c) ordinary local and long-distance telephone. It appears that in most cases at least two of these methods are employed by the same distributor, and that in 1949 Western Union leased 14 high-speed ticker circuits to distributors and subdistributors. A detailed description of the manner in which such retailing activities are conducted is set forth in the Commission's staff report at pages 14 to 23 thereof.

The Commission's report to which I refer is already a matter of record before this committee.

The proposal imposes upon the Commission the burden of deciding, in each case that would come before it, the effect of any State legislation that might be involved and whether or not the gambling information proposed to be transmitted was being used primarily to facilitate the violation of such laws. In effect, the proposal being considered would transform the Commission into a quasi-criminal court charged with interpreting—and I want to delete two words in my prepared statement, “and enforcing”—charged with interpreting the criminal laws of each of the 48 States. I think that it would be exceedingly difficult for any existing agency of the Federal Government to make these judgments; and, even if it is determined that such responsibilities should be given to the Federal Government, I doubt whether this Commission, which was set up to deal with entirely different problems, would be the appropriate agency to which these responsibilities should be delegated.

In addition, adoption of this proposal would, I am afraid, impose upon the Commission a staggering administrative burden which might well impair the Commission's ability to carry out properly its important existing statutory responsibilities. For, in every case in which the Commission found that it could not, on the basis of the facts presented in the application, grant the request for a license, it would presumably have to afford any applicant for such a license a full administrative hearing and all the other administrative rights guaranteed by the Constitution and the Administrative Procedure Act. Moreover, in every case in which the Commission denied the grant of a license, the applicant would presumably have the right to obtain judicial review of the Commission's determination. I do not think that I need emphasize the fact that the Commission's existing staff is not adequate to handle this volume of work and the accompanying enforcement and investigatory duties that would be imposed upon it by any such legislation. Nor do I foresee the possibility that the Commission will receive the necessary appropriations for the manpower resources that would be required before any adequate effort could be made to cope with any such extensive addition to its duties.

I firmly believe, if the problem presented by interstate transmission of gambling information is as serious as it appears to be, that it can be met only by a direct and straightforward approach. We believe that such an approach was recommended last year by the Commission. I don't think there is any easy solution to the problem. But, if the control of transmission of what is essentially gambling information is as critical an element of interstate crime as you gentlemen appear to believe it is, then Congress should make it a Federal crime for anyone to transmit by means of interstate communications facilities the types of gambling information described in the Commission's

proposal which are useful only for gambling purposes. Such a criminal statute would strip from the transmitters of gambling information the veil of respectability under which they now operate. It would avoid the necessity for involved and probably interminable administrative and court proceedings and place in the hands of properly qualified law-enforcement officials the task of eliminating this interstate gambling business.

I would like, at this point, to interrupt my prepared statement to say—

The CHAIRMAN. Ask the officers to please see that we have better order in the hearing room. There is too much confusion in the rear of the room.

Go ahead, Mr. Coy.

Mr. COY. I wanted to interrupt to say that the Attorney General and I seem to be doing a sort of Alfonso and Gaston act here. He is perfectly willing that the Federal Communications Commission shall have all of the responsibility for the administration of a law to give aid to the States to stamp out gambling, and it would appear—and I think it is quite right, that it lends that appearance—that I am quite willing that the Attorney General, as the law-enforcement officer of the Federal Government, should assume that responsibility. I think it is unnecessary for me to point that out. It becomes rather obvious here.

I realize full well that the Commission's proposal to make the interstate transmission of this basic gambling information a crime would prevent newspapers and radio stations as well as all other persons from transmitting the information. However, the Commission's proposal would permit the transmission of all information concerning all sporting events except for bets and wagers and betting odds and prices paid. The latter information, I submit, is of use only to those interested in gambling, and I believe that a flat prohibition of its transmission in interstate commerce is both justified and necessary in order to curb the interstate gambling operations which this committee has found to exist.

It is naive to assume that such information becomes "legitimate news" merely because of the primary nature of the business of the transmitter of the information. I have yet to hear any argument or explanation of why the transmission of lottery information by newspapers or press associations is any more illegitimate than the transmission of bets, betting odds, or prices paid, by newspapers and press associations. Yet, radio stations and newspapers are at the present time prohibited from broadcasting or transmitting through the mails information about lotteries, even though it is clear that such information too is "legitimate news" in the sense that many people who would not participate in the illegal activities themselves like to hear about those who do. Congress has recognized, however, that it is necessary to restrict transmission of news about lotteries in order to prevent the crime itself. I think the same is true about information needed for gambling on horse and dog races and other sports events.

I should also like to point out that the bill proposed by the Commission would also operate to curb interstate gambling not only on horse and dog racing but on all other sporting events. I believe that making it a crime to transmit gambling information dealing with sports other than horses and dog racing is essential if the problem

is to be met adequately. It is my understanding—and certainly this committee is more aware of the facts than I am—that there is already a great deal of Nation-wide gambling on such sports as basketball and baseball. Moreover, it is to be expected that, if the interstate transmission of horse- and dog-racing information is effectively curbed, the gambling interests of the country will concentrate more on these other sporting events.

I would like to emphasize that in making these comments the Commission is not attempting to avoid all responsibility with respect to the transmission of gambling information, nor should it be assumed that we are desirous of so doing. If the transmission of gambling information is made a Federal crime, a clear public policy will have been declared which the Commission can implement by requiring all common carriers to file tariffs providing that they would refuse facilities for the transmission of any of the prohibited types of information. Finally, the Commission would have a clear basis for considering in radio-licensing proceedings the facts showing that a given licensee has broadcast any of the prohibited types of gambling information, and, in appropriate circumstances, could deny an application for a license because of such activity. But it is a far different matter to have a regulatory agency such as this Commission engaged, in effect, in law-enforcement activities for which it is not equipped. To attempt to impose such duties on this Commission would, I fear, not be of any substantial aid in achieving the results which this committee and the Commission both desire, and would, in all probability, substantially hamper the Commission in properly carrying out the functions for which it was created.

I have one additional word to add to my statement at this point. What I have had to say today represents the views of the Commission and has represented the views of the Commission since March, late March of 1950, save and except just before noon today, a member of the Commission, Miss Freida Henneck, phoned to the general counsel of the Commission to tell him that although our views had previously been expressed on a unanimous basis, she now wanted this committee to know that she did not feel that we should force the Department of Justice into full responsibility for the suppression of crime related to gambling, or full responsibility for aid in States in stamping out gambling.

The CHAIRMAN. Well, thank you for your statement, Mr. Coy.

Now, I know the members of the committee will have some questions they wish to ask.

Mr. Coy, I think the general thing is that all of us agree that something should be done about this problem.

The two agencies of the Federal Government who can do something with it are, of course, the Department of Justice and the Federal Communications Commission. You don't want the responsibility, and you want the Department of Justice to have it. They want something done about it, but they do not want the responsibility, and they want you to have it. So that this, one of the most important matters we have, the heart of the bookmaking business of the country, doesn't seem to be able to find any willing person who wants to take on the job of regulating or putting it out of business insofar as illegal uses are concerned.

Mr. Coy. Mr. Chairman?

The CHAIRMAN. So we will have to make a determination and recommendation to the Senate, and I hope that both you and the Department of Justice will appreciate the fact that the problem presented and the necessity of doing something about it comes before the convenience and the desire and the dislike of either the Federal Communications Commission or the Department of Justice to assume new burdens. It is necessary that one of you take on the job in the public interest, and when that does become necessary, as it is now, why, speaking for the committee, I think, you should welcome the opportunity of rendering a public service and not try to avoid it. And it is not by way of criticism of you, Mr. Coy. You have stated your position and you feel that it is a Department of Justice matter, but it is quite manifest that the thing has to be lodged somewhere or another, and I think it should be made clear that under the tentative proposals sent to you, as the committee has been talking about and as was outlined by Mr. Burling, the enforcement against violators is with the Department of Justice and, of course, not with the Federal Communications Commission. You report, and then they prosecute if there is a violation.

But anyway, let's get on with our questions about the matter.

Senator O'Connor?

Senator O'CONOR. Yes.

Mr. COY. May I, Mr. Chairman, respond to your statement before the questions?

The CHAIRMAN. Yes, sir.

Mr. COY. I should like to make it clear by repeating that we do not want to shirk our responsibilities. We think if we take on responsibility for it that we ought to be able to do something to be of great assistance to the States. We do not want to be dressed up with no place to go. We don't think that is fair to an agency of the Government, to give it the kind of authority under regulatory power and make it appear to the people of this country that we are the ones responsible for stamping out the interstate transmission of information to carry on gambling, when, in fact, it can't be done because of the size of the administrative task. We believe that this business of transmitting this kind of information is important enough to be made a crime, and we think that the people of this country think that if it is the kind of a problem and endangers the public welfare, as has been developed before this committee, that it ought to be made a crime.

Senator O'CONOR. Mr. Coy, not in any sense by way of criticism, I am sure you understand, but rather in the friendliest of approach to getting at a solution—

Mr. COY. Certainly.

Senator O'CONOR. Do you not feel that the Federal Communications Commission is the one agency which has directly under its supervision and control the instrumentalities through which this information is sent and which, of course, is, according to everybody, the very essential part of this organized gambling operation?

Mr. COY. You are quite right, Senator O'Connor, it does have; but it has those instrumentalities under its control for two purposes: One, the question of the rates charged the public, and, two, the kind of service that is rendered.

Senator O'CONOR. But it does not have any responsibility for the character of the messages that are sent over that common carrier service.

Yet if the radio stations abuse the privilege, or if the telephone companies, or any other of the public utilities under your supervision get out of line, you have the right, of course, to discipline them or to take appropriate steps?

Mr. COY. Yes; that is correct, we do; but that's because they have filed tariffs with us stating what they will do. And if they violate their own tariff, we can do something about that?

Senator O'CONOR. Yes. Well now the reason that I think it quite important, Mr. Coy, is this: Here we have heard from a number of officials of the fact that the primary responsibility rests with the local enforcement officer, down to the town level or the county level or the city level. But here is an aspect of the whole situation which is completely beyond his control: The prosecuting attorney in county A out in one of the Midwestern States, for instance, cannot curb this kind of operation, but it all comes under the FCC. Now is it fair for the Federal Government to say that the whole responsibility rests on the local enforcement officer and then not do everything it possibly can to assist him in carrying out the campaign that he will launch, let's say, particularly when he doesn't have the power to do it himself?

Mr. COY. It isn't fair, and the Commission proposes to do something to help him, and we propose to make it a Federal crime, punishable by prison sentence and a fine, both of them, to transmit over interstate communications facilities any information about bets or wagers, prices paid, or odds.

Senator O'CONOR. Yes. Now that would, of course, include information about matters in the respective States which those States in their wisdom have declared are perfectly legal?

Mr. COY. Have declared to be illegal except—

Senator O'CONOR. No; have declared to be legal.

Mr. COY. But, I say they have been declared to be illegal except for such betting as occurs at tracks.

Senator O'CONOR. Yes; but you would outlaw the transmission of information concerning betting at the tracks.

Mr. COY. Only insofar as it involved bets, wagers, prices paid, and odds offered.

Senator O'CONOR. That is, of course, a great deal.

Mr. COY. That is a great deal, but it still would permit a radio station or television station to show a picture of a race, or a radio station to describe the race and tell who won, and withhold the information which is essential to the maintenance of these gangs that foist upon the American people.

Senator O'CONOR. I am not debating the justification of it, Mr. Coy, I am merely trying to get the facts.

Your proposal would estop and would prevent and would make a crime the transmission of information about matters which the respective States now say to be perfectly proper and legal.

Mr. COY. That say it's legal to bet at the track.

Senator O'CONOR. There can be no doubt about that.

Mr. COY. That is all. They don't say it is legal to bet any place else.

Senator O'CONOR. At the track.

Mr. COY. So there might not be any necessity to transmit the information away from the track.

Senator O'CONOR. Of course, it would deny to the press of the country and to any other legitimate disseminators of information that which the States now in their wisdom declare to be proper and legal.

Mr. COY. It does, but I feel there is a difference between its legality at the track and outside. It is pretty hard for me to accept the argument that because it is legal at the track, it is therefore appropriate to transmit the information about bets, wagers, prices paid, odds offered away from the track, and do it over interstate facilities and in a way to permit this large gambling away from the track—for those people doing it corrupt local people to get their permission to carry it on. I just can't understand that.

Senator O'CONOR. You do not think, though, that the more direct way to do it is to aim at the abuse, rather than the use; in other words, do you not feel that it would be the better way to strike at those who are transmitting it in violation of the law and for the purpose of evading the laws rather than to aim at those who are doing it without any such intention?

Mr. COY. I think, Senator, that the answer to this question that you are raising is answered by a response to another question. It is simply this, is the situation that we have before us such a danger to the national welfare that it requires remedial action? If it does, the question of prohibiting the thing that I have mentioned we propose seems to me to be no problem whatsoever, from the standpoint of the constitutional freedom of the press. It stands in exactly the same position as does the information about lotteries.

Senator O'CONOR. Does it, Mr. COY?

Mr. COY. Except the fact that—

Senator O'CONOR. Yes; the lotteries are, of course, of their very nature prohibited and there is no sanction or no approval by the States of that particular kind of thing. Now we, of course, cannot sit here and legislate for the States, and if the States in their wisdom have decided that a certain form of gambling at the track is legal, can we legitimately legislate against it, or do that which, in effect, nullifies what the States have done?

Mr. COY. Senator, not to argue with you, except in the kindest and friendliest of terms, I think we can. I do not think the State has given any sanction to it whatsoever any place except at the track, within an enclosure. I do not think their sanctioning betting at the track implies that it becomes legitimate news outside when it raises a problem that is a danger to the national welfare of this country.

Senator O'CONOR. All right, thank you very much.

The CHAIRMAN. Senator HUNT?

Senator HUNT. I do not care to ask Mr. COY any questions, but I want to make this observation, that is, to say to him thanks for offering us and suggesting a very clear-cut, definite, positive method and ways and means by which what we are attempting to accomplish can be achieved. Now, I think it is up to the Congress, are we going to do it or are we not? Are we going to take a halfway measure or are we going to try to cure the results without curing the source of the evil? What position are we going to take?

The CHAIRMAN. Senator WILEY?

Senator WILEY. Mr. Coy, I understand your proposition simply is this, one, make the transmission of this information, whether it be by any wire, by radio, by newspaper, by teletype or television, make it illegal?

Mr. COY. Yes, sir; insofar as it is in interstate commerce.

Senator WILEY. Yes.

Mr. COY. It is a little difficult for us to go beyond that.

Senator WILEY. That is what I had in mind, of course, across State lines. Now, then, if we made such a Federal statute, made it a crime, it has nothing to do with the States carrying on—this is point No. 2—what they call their legitimate gambling at the race track.

Mr. COY. Not a bit, would not affect it.

Senator WILEY. And No. 3—

Mr. COY. It might improve it so far as the States are concerned, give them more revenue, more betting at the track.

Senator WILEY. And your position is, 3, that you are in no position to police the situation unless it is made a Federal crime?

Mr. COY. Senator Wiley, it is my considered opinion that it becomes an impossible task for the Commission to follow through all of the ramifications of the distribution system outlined before this committee as to the Continental Press Service and make any determination, any valid determination that at any given time they are or are not distributing that information in a way to facilitate gambling off the track.

Senator WILEY. All right. We have got three. Now in relation to four, if you get the statute, that makes it a Federal crime, you are in a position to cooperate without a great deal of trouble in furnishing the information on which the Attorney General or his district attorneys could prosecute, is that right, is that what you mean?

Mr. COY. Yes. Well, if it is made a crime to transmit such information we will require the common carriers to file with us tariffs in which they state that they will not furnish service to anyone who would lease their facilities or use their facilities for such prohibited transmissions. More than that, with such a clear-cut statement of congressional policy as this, the problem of the conformity of radio stations to public policy would become a much easier task than it is now where without such a statement we would have to determine if their broadcasts of race information is within the public interest or not. We have no clear statement of public policy on that question at the moment.

Senator WILEY. What I meant by point 4 was that if you got the statute, making it a crime, and it then became the duty of the Justice Department to prosecute, that you would not need any more help in the Department because it would just sort of automatically be there with the help you have got to furnish the Attorney General to prosecute. The other way, I understood you to say it would be absolutely impossible for you to police the matter.

Mr. COY. I do not think we need more help. I think the Department of Justice probably would in their Criminal Division, to carry on the prosecutions.

Senator WILEY. That is all.

The CHAIRMAN. Mr. Halley?

Mr. HALLEY. Mr. Coy, is it your belief that by adding the interstate shipment of the odds alone you could prevent bookmaking?

Mr. COY. By odds and by prices paid. I do not think we would prevent it, Mr. Halley, no. I think we would cut down on it to the point where it would no longer be profitable for these characters who have corrupted these communities to carry on their business.

Mr. HALLEY. Well, I cannot help but agree with you that that is one of the essential services of the wire service, and that that should be done and made a crime, but do you not think that at the same time those who furnish other information, current, minute-by-minute information about horse racing and other sporting events should be regulated to see whether it is being furnished primarily to bookies; in other words, I would like to agree both with you and with the Attorney General and say you are both right, both of you take it.

Mr. COY. I am not familiar with what other information you have in mind other than bets, wagers, prices paid or odds offered which would facilitate the making of books on any sporting event.

Mr. HALLEY. Well, knowing what horse won the race almost at the same time the race was run is probably the most important.

Mr. COY. I am not very experienced at that and perhaps you and the committee here have learned much more about it than I have, but my information is, Mr. Halley, and I can be all wrong, although I think maybe this is cited in our own report in this committee, that the importance of knowing the odds before the race is run enables a bookmaker to be fairly sure of a profit, no matter the outcome of the race, because he will make lay-off bets on the basis of the changing odds and the amount of money which he may have had bet with him on any particular horse.

Mr. HALLEY. That is true, but from what we have seen the larger bookmaker can generally find out the odds without resorting to a Nation-wide wire service. The real problem is to prevent him from knowing, as these races are run, what horse wins, so that somebody cannot slip a bet through at the last minute. Would you object—would you see any basic policy objection to first, by all means, passing the legislation you have in mind which would very seriously impede the betting industry, but, second, at the same time police those news services which appear primarily to support bookmaking activities; what harm could that second police function do?

Mr. COY. It wouldn't have any harmful effects that I can see, but I would have to have demonstrated to me the necessity for it. And I do not now know the necessity for doing it.

Mr. HALLEY. If the committee records showed such a necessity, do you think that the job would really be very burdensome? There is at the moment only one Nation-wide sports news service devoted to serving bookies, and that is Continental Press. Its distributors have been very completely plotted, as you know, and you provided the Congress with a good deal of the information. It is not hard for you to put your fingers on it.

Mr. COY. Not at all; not at all.

Mr. HALLEY. Would an administrative finding that any particular channel of racing information going on traced directly from Continental Press in Chicago to a distributor, to a subdistributor, to a bookie, is something that you could find as a matter of fact, you can put the whole line of communications from the bookie clear up to Continental Press right out of business without having to go to the burden of find-

ing the kind of proof that is necessary to convict people of a crime, and under those conditions, assuming that you did get the help of the criminal law, too, would you really object to trying to police this one large news service?

Mr. COY. Mr. Halley, do not get me in the position of saying that I know everything there is to know about this particular problem. It is my opinion, on what I know, that you do not need to go into this question as to whether or not the information is being used in violation of State laws on gambling. It seems to me that the important thing is if you could take away from that service its right or any service its right to transmit this information that I have outlined that you have effectively stopped the gambling problem.

Now, if I am wrong about that, and the committee knows more about it than we have seen in the studies which we have made of it, certainly I cannot object.

Mr. HALLEY. I, of course, as counsel cannot make a fact-finding for the committee, but if the committee did find that not only was it necessary to keep the bookie from getting the odds, but also that it was necessary to keep him from finding out instantaneously who won the race, would you then object to taking on this policing job?

Mr. COY. If you found that was necessary, I think not.

Mr. HALLEY. Thank you.

The CHAIRMAN. Mr. Coy, if I may ask just one or two questions.

Under your system how would you get legitimate news about basketball or football or baseball results?

Mr. COY. Under our system there would be nothing to prevent its immediate distribution by quarters or 5-minute periods or continuously.

The CHAIRMAN. I thought you said as to horse races that you would not furnish any information except who won?

Mr. COY. The only thing I perhaps glossed over a little too rapidly, Senator Kefauver. We would provide the transmission of bets, wagers, odds offered and prices paid only, and that would apply to any kind of a sporting event, basketball, baseball, tennis, anything that they might divert their energies from the horse racing field and the dog racing field, to basketball. There has already been some indication that it has become a sizable business to bet on basketball. We would want to prohibit it on all of them, but it would not prohibit the result of a tennis match, a football game, a horse race, a dog race. It would just prohibit telling how much first place got, second place got, third place got, and it would also prohibit the quoting of odds prior to the event.

The CHAIRMAN. I notice in your statement you say that finding out whether it is a violation of State law, and so forth, would be an impossible job. It is pretty well known what the laws of the States are. That would not be such a difficult task, would it?

Mr. COY. No; but I assume because of the requirements upon us under the Administrative Procedure Act that we would be required to have some proof that the information was being used by people who were violating the State law, not that it would be violating the State law, but it was being used by people who were in violation of it.

The CHAIRMAN. The idea behind the proposal, Mr. Coy, is this, as you well know. Some of us feel that if the tariffs or the licenses are

handled by the Federal Communications Commission in such a way, if there are drops in various States which are using it primarily for betting purposes and there is some place where they can find out the information as to who these people are, why then you have a great amount of information which the local people could use to do a lot of their own enforcing. After all, that is the healthiest way it can be handled. I think we all agree.

Mr. COY. Of course, I do not think we ought to get into it.

The CHAIRMAN. Since the McFarland committee, with information you furnished and it gathered, has located all of the drops in the various sections of the United States, then with the work of our committee in bringing in some of them and showing just exactly what they were doing, we have found that the local people have been demanding of the telephone companies that they pull out the wires. Many of them have been indicted. So that the whole thing in a great many sections of the country has suffered a tremendous set-back by virtue of the fact that information is available to the local people. And if a plan can be worked out where they can get the facts, then if they have the enthusiasm for good government, which we hope they have or, at least, will have all over the country, that they want to do something about it, they will have the information where they can ask the telephone company to pull the wires out. They will know who is operating the bookie joint. And they can act on their own. That is the theory behind it, and I think you would agree that if it will work out that way, it would be a much healthier thing, would it not?

Mr. COY. Much healthier than the proposal that the Commission has made.

The CHAIRMAN. Much healthier than having the Federal Government in everybody's back yard.

Mr. COY. I agree that we ought not to get the Federal Government into the business of enforcing the gambling laws of the various States.

The CHAIRMAN. They did not state the matter very fully this morning, but, of course, we all know the position of the Department of Justice, Mr. McGrath and Mr. Hoover. It is that they would have, if all betting on information that went across State lines were made a Federal offense, that they would have such a tremendous job of enforcing the law, they would be out in every hamlet and every village, and there are many of them, and all cities of the United States, to see whether somebody had a telephone call and as a result of that may have made a bet. It would be such a tremendous difficult task that they could not do it. And they feel that the best thing, instead of prosecuting the people who get something over the wire, is to cut the wire service, to keep the wire service from sending that sort of information.

Mr. COY. Senator Kefauver, I have the feeling that people of this country would find it most difficult to understand that the owners of the Continental Press Service, making this information available to hundreds and hundreds of communities in this country, so that there can be big-time gambling, and in fact, they participate in the profits of it, that they could get off by the projection of a license for them to do business by the Federal Communications Commission, rather than being indicted for crime.

The CHAIRMAN. Mr. Coy, how come the Continental Press is not under your jurisdiction now?

Mr. COY. They are not a common carrier.

The CHAIRMAN. I know, but they send information by a common carrier.

Mr. COY. Yes; they operate.

The CHAIRMAN. I have heard very good lawyers say that they thought that by a wider, more liberal interpretation of your jurisdiction that you could include Continental Press.

Mr. COY. They stand in the same position, Senator Kefauver, as does the Associated Press or the United Press. They lease their facilities from the Western Union, the American Telephone & Telegraph, to send their news services around. If you hold that the Continental Press is a common carrier under the impact of the kind of character that it has taken on here, shown by your investigation, it would be very hard to differentiate between that and the Associated Press and the United Press, and I do not believe they are common carriers.

The CHAIRMAN. I cannot see much difference between leasing a wire which you use and owning a wire in which event you would be under the jurisdiction of the Federal Communications Commission.

Mr. COY. They are leasing a wire from Western Union or the American Telephone & Telegraph Co. in accordance with the schedule of rates filed by that company with the Commission and accepted by the Commission. It has been the standard practice ever since there has been regulation of common carriers or that to be done.

It has, also, been a standard interpretation of the law that the people making the lease arrangement under those tariffs are not regarded as common carriers.

The CHAIRMAN. May I ask as of now how many field men does the Federal Communications Commission have?

Mr. COY. In the common carrier field?

The CHAIRMAN. I do not know how to express it. I mean, how many people are out investigating whether radio franchises are being abused by obscene language. And I do not mean lawyers or technicians. How many investigators do you have to see about abuses?

Mr. COY. That is a hard question to answer. We have a field service that performs many functions. As a matter of fact, it performs two major functions. The handling of complaints and investigations in the field, and another part handles the monitoring service. There are about 200 people there, but they are engineers dealing with technical problems. Investigators, we have something like four or five people that normally devote their time to investigations.

If we had a problem of this kind, our burden would be practically the same as it would for the Department of Justice, I would say, in having to investigate cases. We would have to have about the same number of people to do it. And again, as I say—

The CHAIRMAN. Mr. Coy, I think you are mistaken about that. You have a certain limited number of companies that have a franchise. You know pretty well. And it would not take so much examination to know whether they are meeting the standards that you have set up whereby they can legitimately do business and secure a renewal of their franchise.

I think you are overstating the job that would fall on the Federal Communications Commission.

Mr. COX. Well, I suppose that you might be right if we were to do this job on the basis of their presentation to us, that this material was not being transmitted to people to be used in violation of State laws. If we were to go into it upon that sort of a basis, certainly, it is not a great task, but I assume that the purpose of such legislation here would be to give some aid to the States in stamping out gambling and to prohibit the flow of that information in the States to be used in a way that would promote gambling and we would have to have people in the various areas of this country to find out whether the representations these people had made were being lived up to. And that, I think, is a sizable task, particularly where you propose an annually renewable license; we will have to have it under rather continuous surveillance.

The CHAIRMAN. Thank you very much, Mr. COY.

Are there any other questions of Mr. COY?

Mr. COY, if you are not in too much of a hurry to be gone, if you would wait in the hearing room for about 20 minutes, we could have a little short executive session with you.

Mr. COX. Certainly.

The CHAIRMAN. Mr. Mackey, you have been here all afternoon. I believe you had some recommendations and a statement that you wish to make.

Do you solemnly swear the testimony you will give the committee will be the whole truth, so help you God?

Mr. MACKEY. I do.

TESTIMONY OF A. R. MACKEY, ACTING COMMISSIONER OF IMMIGRATION AND NATURALIZATION, DEPARTMENT OF JUSTICE

The CHAIRMAN. Your statement is rather brief, only four pages, apparently.

Mr. MACKEY. Yes, sir.

The CHAIRMAN. You are the Acting Commissioner of Immigration and Naturalization, Department of Justice?

Mr. MACKEY. Yes, sir.

The CHAIRMAN. You may either read your statement or say what you want to about it, and then we will ask you a few questions.

Mr. MACKEY. Under existing immigration statutes we are able to deport the following classes of criminal aliens:

(1) Aliens who were convicted of or admit the commission of any crime involving moral turpitude prior to their entry into the United States.

That would include an alien——

The CHAIRMAN. Just a minute. We will please ask our guests to sit down and quit making so much noise for the convenience of the committee and others who are here and want to hear. Will you gentlemen of the press who are moving around and talking please try to be a little quieter so that we can get on. All right, Mr. Mackey.

Mr. MACKEY. May I start again?

The CHAIRMAN. I think it would be best if you started again.

Mr. MACKEY. Under existing immigration statutes we are able to deport the following classes of criminal aliens:

(1) Aliens who were convicted of or admit the commission of any crime involving moral turpitude prior to their entry into the United States.

I might also say, Mr. Chairman, that included within that class or excludable class are those aliens lawfully admitted to the United States who, after having committed a crime involving moral turpitude in this country, should they depart and then attempt to reenter are subject to exclusion.

(2) Aliens who are sentenced to a year or more of imprisonment for a crime involving moral turpitude committed within 5 years of their entry to the United States.

(3) Aliens who commit two such offenses for which they receive like sentences irrespective of the time they have resided in the United States.

Aliens who have been sentenced more than once. I think that will make it clear. That is, after having been convicted of two separate crimes, involving moral turpitude, on two separate occasions. There is no time limitation to the deportation of that class of alien.

(4) Aliens who have been convicted of a violation of various provisions of the narcotic laws of the United States unless such alien shall be found to be an addict.

You might add "who is not a peddler," because if he is a peddler of narcotics he is deportable, notwithstanding the fact that he is an addict;

(5) Aliens who engage in prostitution or who derive earnings from the practice of prostitution or are connected in anywise with the practice of prostitution; and

(6) Aliens who are convicted of the offense of possessing or carrying automatic weapons or weapons known as sawed-off shotguns.

Now there are the classes of criminal aliens whom we are presently authorized to deport under existing law.

There are certain other provisions for the deportation of aliens who violate other regulatory statutes such as the Alien Registration Act of 1940 and the espionage laws of the United States which are not detailed here since it is assumed the interest of the committee is directed toward other forms of criminal activity in the United States.

The Immigration and Naturalization Service has not within the past few years suggested any additional or special program of legislation related to the authority to deport criminal aliens. The reason for this is that under a Senate resolution enacted some 21½ years ago the Subcommittee on Immigration and Naturalization of the Senate Judiciary Committee was authorized to make a complete study of the immigration, naturalization, and nationality laws of the United States. The Service cooperated very closely and fully with the staff of the Senate subcommittee and aided it in every way it could in facilitating its study. The result of that study was the introduction in the second session of the Eighty-first Congress of S. 3455, a bill designed to recodify all of these statutes and to revise many of their provisions. The bill received no congressional action in the Eighty-first Congress, but in a further revised form has been introduced into the present Congress as S. 716 by the chairman of the Senate Judiciary Committee.

Recently a joint committee of the House and Senate Judiciary Committees has been engaged in public hearings on S. 716.

Similar bills, H. R. 2379 and H. R. 2816, have been introduced in the House.

For these reasons the Immigration and Naturalization Service has been aware of the inclusion in S. 716 and its predecessor bill in the Eighty-first Congress of certain enlarged provisions relating to the authority to deport criminal aliens from the United States. Without at this time undertaking to state any position or policy on behalf of the Service or the Department of Justice, it occurs to me after having examined carefully the provisions of S. 716 that it would be difficult to provide for any wider or necessary authority than may be found in section 241 of that bill. That section authorizes the deportation of an alien who—

(1) At the time of entry was within one or more of the classes of aliens excludable by law which would necessarily reach any alien excludable at time of entry because of past criminal record;

(2) Any alien who within 5 years following his entry is convicted of a crime involving moral turpitude and is sentenced therefor to a year or more of imprisonment whether or not he is confined;

(3) Any alien who at any time after entry is convicted of two crimes involving moral turpitude unless they arise out of a single scheme of criminal conduct, whether or not the convicted alien is confined following such conviction and regardless of whether the convictions were the result of a single trial;

(4) Any alien who at any time after entry is convicted in this country of any criminal offense not previously mentioned if the Attorney General in his discretion concludes that the alien is an undesirable resident;

(5) Any alien who admits committing within 5 years after his entry acts which constitute the essential elements of a crime involving moral turpitude, or whose admission is tantamount to confession of such a crime;

(6) Any alien who at any time after entry has been a narcotic-drug addict or who at any time has been convicted of a violation of any law or regulation relating to the illicit traffic in narcotic drugs or has been convicted of a violation of any law or regulation governing or controlling narcotic drugs; and

(7) Any alien who at any time after entry becomes a prostitute or engages in any activity in relation to prostitution or who becomes a member of any class of aliens engaged in commercialized vice even though not related to prostitution.

There are other provisions in the bill providing for the deportation of aliens for having violated certain provisions of criminal statutes relating to regulatory matters which have not been set out in detail here since it is assumed that they are not of immediate concern to the committee at this time.

If attention may be drawn again to the provision previously cited from section 241 of S. 716 which provides that at any time following an alien's entry, if he is convicted of a criminal offense and the Attorney General concludes that he is an undesirable resident, he may be deported from the United States, I think this committee will understand why it is difficult to suggest a more comprehensive and broader provision which would likely find any support for the removal of aliens of the criminal class from the United States. Of course, the other and more specific provisions also continue to be available to cover the deportation of persons falling within these specific provisions.

The CHAIRMAN. Thank you, Mr. Mackey. Senator Hunt.

Senator HUNT. I have no questions.

The CHAIRMAN. Senator Wiley.

Senator WILEY. Can you estimate what percent of aliens have been convicted of a crime, that is, that would make them subject to deportation?

Mr. MACKEY. The percentage, Senator, I do not have that, but I do have some very interesting statistics here. I think the committee would be interested in them. May I read them? I will make them as brief as possible. These are cases pending determination of deportability.

We have in detention 9 subversives, 378 criminal narcotic and immoral aliens, 114 stowaways and smuggled aliens. That makes a total of 501 such aliens that we now have in detention for the purpose of determining deportability.

Of that class, released under bond, we have 154 subversives, 422 criminal narcotics and immorals, 197 stowaways and smuggled aliens, making a total of 773 for such classes released under bond.

We have on conditional parole 43 subversives, 545 criminal narcotics and immorals, 94 stowaways and smuggled aliens, making a grand total of 682 on conditional parole.

We have warrants as yet unserved for 6 subversives, 76 criminal narcotics and immorals, 30 stowaways and smuggled aliens, making a grand total of 112 of that class.

The total of all classes is 2,068.

Here is another class of warrants of deportation outstanding, that is where the order of deportation has been entered, the warrant issued but not yet executed. And these have been outstanding less than 6 months.

We have in detention 2 subversives, 185 criminal narcotics and immorals, 17 stowaways and smuggled aliens, making a total of 204.

Of that class released on bond are 7 subversives, 42 criminal narcotics and immorals, 15 stowaways and smuggled aliens; total 64.

On conditional parole, 2 subversives, 8 criminal narcotics and immorals, 2 stowaways and smuggled aliens, making a total of 12, or a grand total of 280 of all classes.

The next class, warrants of deportation outstanding more than 6 months:

We have in detention 2 subversives, 213 criminal narcotics and immorals, and 2 stowaways and smuggled aliens; total 217.

Under parole and supervision, 104 subversives, 1,157 criminal narcotics and immorals, 31 stowaways and smuggled aliens, making a total there of 1,292, or a grand total of 1,509, where the warrants of deportation are outstanding more than 6 months.

Totals of the groups specified: We have in detention 13 subversives, 776 criminal narcotics and immorals, 133 stowaways and smuggled aliens; total 922.

Released under bond, 161 subversives, 464 criminal narcotics and immorals, 212 stowaways and smuggled aliens; total 837.

Parole or under parole and supervision, 149 subversives, 1,710 criminal narcotics and immorals, 127 stowaways and smuggled aliens; total 1,986.

Warrants of arrest yet unserved, 6 subversives, 76 criminal narcotics and immorals, 30 stowaways and smuggled aliens; total 112; grand total, 3,857.

The number we have deported since the passage of the Internal Security Act of 1950 which was September 23, 1950: We have deported 6 subversives, 616 criminal narcotics and immorals, 105 stow-aways, or a grand total of 727 of that class.

Total number of all persons in detention as of this date, 1,641.

Senator WILEY. How many aliens are now in the United States illegally, say, from Canada, Mexico, Cuba, and so forth; can you estimate that?

Mr. MACKEY. Senator, it would only be a guess, no more than I could guess the number of rats on the docks of New York. We do know, of course, and I have so testified before the committees, that thousands and many thousands of aliens are entering our country over the Mexican border. Last year our Border Patrol apprehended more than 500,000 aliens after they had unlawfully entered the United States by way of the Mexican border.

Senator WILEY. How many?

Mr. MACKEY. More than 500,000. While it is true the majority of them are more or less harmless Mexican peons coming here to seek employment on the farms and ranches near the border, yet the fact that they were able to get in without inspection, in my opinion, creates an alarming situation.

Senator WILEY. Have you got a general summation, say, over the years prior to the passage of this act showing the categories that you have just enumerated for us; have you got that, say, over 10 years?

Mr. MACKEY. I do not have them at the moment, but I shall be pleased to submit them.

Senator WILEY. I would like to have them.

Senator WILEY. One other question. As a matter of fact, these aliens tend to concentrate or congregate in cities, do they not?

Mr. MACKEY. Yes, sir.

Senator WILEY. Does that, in your opinion, contribute to the serious criminal condition, or what suggestion have you made or can you make to give us some idea how to handle that situation.

Mr. MACKEY. Our service is now concerned with many problems involving the criminal alien. One of them is smuggling problems. I should hesitate to go into detail in the public session in any of these cases. I do believe that those within the United States who conspire with those abroad to smuggle aliens into our country—you will find most of them within the large cities of our country—do contribute much to the crime within the United States.

Senator WILEY. We have got this serious situation due to Joe Stalin, penetration by Communists, going out all over the world. What about our own country? What is the situation? Does it show as to number of these folks that come illegally into this country who are Communist agents or Communists?

Mr. MACKEY. We have that situation under surveillance, Senator. I should like to say at this time that the excellent coordination and cooperation and liaison between our service, the Federal Bureau of Investigation, the Military and Naval Intelligence, and the Central Intelligence Agency by virtue of that cooperation and coordination and exchange of information we think we have the situation pretty well under control.

Senator WILEY. Thank you.

The CHAIRMAN. Mr. Mackey, do you have charge of denaturalization, too?

Mr. MACKEY. Yes, sir.

The CHAIRMAN. Why don't you denaturalize Costello? You only need to prove that there was fraud or misrepresentation in the application for citizenship, do you not?

Mr. MACKEY. Yes, sir. I think it was testified here this morning by the Attorney General, I believe—I am thoroughly familiar with that case, Senator. The examiner, I believe, that examined him is now dead and it would be difficult to prove at this time, more than 25 years having elapsed since he was naturalized, that he did procure his naturalization through fraud.

The CHAIRMAN. Well, he almost admits it, Mr. Mackey.

Mr. MACKEY. And another thing, the courts have construed the denaturalization statutes as remedial rather than penal.

Another thing is this, gentlemen, and I have not seen the Costello file in more than 4 years, I would say——

The CHAIRMAN. We are sending you a copy of what we brought out.

Mr. MACKEY. Yes, sir. From memory I think if Costello—if his naturalization as of 1925 was canceled or revoked tomorrow he might turn right around and be renaturalized. At least, as a matter of right he could file a petition for citizenship in our courts. The matter could be delayed while we were undergoing a thorough investigation of him.

The CHAIRMAN. In the next 2 or 3 days will you send us a report in the light of the testimony that we received in New York? I think we have already made that request, and if you would send us a report it would help. The essential facts are that he misstated the fact that he had been arrested and served time, was convicted, that he apparently misstated the facts according to his own testimony in September 1925 that he had been engaged in the liquor business. When he was indicted about a month afterward, of course, he was released, but testifying in another tribunal he said that he was engaged in it in 1922 or 1923.

Mr. MACKEY. Which should, of course——

The CHAIRMAN. The whole thing is that these people, I do not think, deserve to be treated too lightly in these matters, and if you will send us a report by Thursday at the latest, we shall appreciate it.

Mr. MACKEY. I shall be pleased to, Senator.

The CHAIRMAN. You have got a lot of big-time racketeers who are naturalized citizens in this country. You have a fellow Carlos Marcello who has been sent up and served time for selling narcotics, on a narcotics charge; also served time on extortion charge in the State prison in Louisiana. What is the matter with the present law as to him?

Mr. MACKEY. Well, now, his real name, Senator, is Calogero Mina-cori, alias Carlos Marcello. He entered here, the United States, legally on October 7, 1910, at New Orleans, La., at the age of 9 months. It appears he was born in Tunis, North Africa, on February 6, 1910. There are some phases of the case that I should prefer not to discuss in open session. However, in 1930, this alien, this gentleman, was convicted of assault and robbery and sentenced from 9 to 14 years in the penitentiary in Louisiana. He made a trip to Mexico and re-entered the United States in 1936.

On the basis of that last entry we instituted deportation proceedings. However, he was pardoned and thereby brought without the deportable class. That is why we were stymied, so to speak, in deportation proceedings.

The CHAIRMAN. How about his narcotics violation and sentence?

Mr. MACKEY. He is a naturalized citizen of the United States, Senator, I understand. And, of course, you would have to denaturalize him and put him back into the status of an alien before you could deport him.

The CHAIRMAN. Well, he comes into that class. You could do something about them if you would do it.

Mr. MACKEY. Yes, sir. That case is now under investigation.

The CHAIRMAN. I want you to know, in our opinion, he is starting a criminal empire which is one of the biggest in the country, has all kinds of interstate connections. He is involved with Kastel and Costello, involved in many, many enterprises, operating in several different States, and in southern Louisiana.

Mr. MACKEY. I can assure the Senator—

The CHAIRMAN. He has been very defiant of this committee. And we hope you will look into the matter very, very closely.

Mr. MACKEY. He will receive appropriate attention.

The CHAIRMAN. How about these fellows that jump ship and stay in? The water front seems to be pretty well infested with them. The five Anastasias jumped ship.

Mr. MACKEY. That was years ago. The 3-year limitation, I think, on the remain-longer aliens, so to speak, applied at that time.

The CHAIRMAN. Then you have another problem. I suppose that some bills are filed up here in Congress by unsuspecting Members of Congress to prevent deportation?

Mr. MACKEY. Some 2,500 in the last session; yes, sir.

The CHAIRMAN. But your new ruling is that you go on notwithstanding the filing of the bills; is that not correct?

Mr. MACKEY. We proceed up to the point of the execution of the order of deportation. If the case presents facts which indicate peculiar hardship, we then, as a matter of courtesy to the Congress, defer execution of the order of deportation until the pending bill shall have been disposed of.

The CHAIRMAN. Then in some cases are new bills filed?

Mr. MACKEY. Yes, sir.

The CHAIRMAN. That is one of the problems you have got, I take it?

Mr. MACKEY. It is a problem; yes, sir.

The CHAIRMAN. But there is none pending now on Carlos Marcello, is there?

Mr. MACKEY. Not that I know of, Senator.

The CHAIRMAN. Or Frank Cammarata; anything pending on him?

Mr. MACKEY. I do not think there is a private bill pending at this time on Cammarata.

The CHAIRMAN. Are there any other questions, anything else, Mr. Mackey?

Mr. MACKEY. I might say as to Cammarata, as the Senator knows, we deported him years ago in the early thirties, I believe, after having been convicted of armed robbery in the State of Michigan, and he re-entered this country in a clandestine manner. We apprehended him. And he is now out under a \$10,000 delivery bond and we will execute

an order of deportation to Italy as soon as we determine or terminate the negotiations now with the State of Michigan. It seems that Cammarata is in the Cleveland area and Michigan is trying to extradite him as a parole violator. And we are not disposed to take him out of the jurisdiction without the consent of the Michigan authorities. As soon as that is settled we intend to deport him.

The CHAIRMAN. All right. Thank you very much.

I might announce that our session begins at 8 o'clock tonight. I understand that Mr. Rothkopf and Mr. Kleinman, of Cleveland, will be here.

I have a telegram from St. Louis which reads as follows:

United Lumber Co. of Illinois mentioned in committee hearing Saturday March 24 wish to state for the record that United Lumber Co. mentioned has no connection whatsoever with United Lumber Co. of St. Louis and our branches in East St. Louis and Granite City, Ill., have no identification directly or indirectly with the United Lumber Co., Rockford, Ill. Would appreciate record showing same.

I. E. GOLDSTEIN,

President, United Lumber Co. of St. Louis, Mo., East St. Louis, Ill., and Granite City, Ill.

I will be glad to put this in the record.

If there is nothing else the committee will stand in recess until 8 o'clock tonight.

(Whereupon, the committee recessed until 8 p. m., of the same day.)

EVENING SESSION

Present: Senators Kefauver (chairman), Tobey, and Wiley.

The CHAIRMAN. The committee will come to order.

I wish to announce at this time that the staff, the members of the staff in particular, and members of the committee are having a great many meetings, and also night meetings, and many consultations which have to be in executive session with members of the executive department and others, in an effort to get our report and our recommendations ready. So that tonight—and this session is, of course, open.

In the morning, beginning at 10 o'clock, the representatives of the Treasury Department will be present, and after that time there will be no more public meetings. It is necessary that members of the staff and the committee spend as much time as possible on getting up a report. We will, however, in executive session, with one or two members designated to hear the various witnesses who may come in after tomorrow noon, get their testimony, and then we will give some report of it to the press afterward. But the stress of time will prevent us from having any more open sessions after tomorrow.

Mr. Zwillman, I believe, is our first witness tonight. Is Mr. Zwillman here? Let him come around.

I might also say that we all enjoy smoking, but I will have to ask that there be no smoking during this meeting tonight.

Mr. SHILENSKY. Mr. Zwillman will be here in just one second.

The CHAIRMAN. What is your name, sir?

Mr. SHILENSKY. Morris Shilensky—S-h-i-l-e-n-s-k-y.

The CHAIRMAN. Spell it again, louder.

Mr. SHILENSKY. S-h-i-l-e-n-s-k-y.

The CHAIRMAN. And where is your office?

Mr. SHILENSKY. 120 Broadway, New York City.

The CHAIRMAN. Have a seat, Mr. Shilensky.

The committee wishes to acknowledge very deep appreciation to Judge Robert Patterson, of New York, chairman of the American Bar Association, and the Committee on Organized Crime, with whom we have been working very closely, for their many thoughtful suggestions, for their substantial help, and especially to Judge Morris Ploscowe, who is the executive director of that commission, who has been spending most of his time in recent weeks working with members of our staff. Judge Ploscowe will sit at the committee table tonight.

Is Mr. Zwillman here?

While we are waiting, I might announce that at executive session tonight it was decided by the committee—the committee took cognizance of the report of the examiner in connection with renewal of the license of the radio station in Miami, Fla., which is owned by Mr. McBride. The committee feels that the examiner did not read or did not take cognizance of the matters brought out in the hearings of the committee in Chicago, Cleveland, and in Miami, with reference to possible connections of the ownership of that station, and has asked the chairman, has authorized the chairman to file with the Chairman of the Federal Communications Commission a protest against the issuance of the license until the full facts in connection with the matters brought out in the hearing in the cities above referred to have been considered by the full Commission. And the committee entertains serious doubts, in view of the facts brought out in the hearings, as to whether the Federal Communications Commission, pursuant to the mandate given them by Congress, will see fit to renew the license. In any event, we want to make certain that they see the full hearing and report of this committee.

You are Mr. Zwillman?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. Will you arise, Mr. Zwillman? Do you solemnly swear the testimony you give this committee will be the truth, so help you God?

Mr. ZWILLMAN. I do.

The CHAIRMAN. Now we have three witnesses tonight. The chairman and no member of the committee wants to hurry counsel or hurry anyone else, but I hope we can get down to particular points as quickly as possible so that we can terminate this committee meeting before it is too late.

Senator TOBEY. Mr. Chairman, for your information, I have about 15 or 20 questions to ask the witness in addition to Counsel Halley's and any other committee members'.

The CHAIRMAN. Very well. Mr. Halley.

Mr. HALLEY. Does Senator Tobey want to go ahead?

Senator TOBEY. No; you can go ahead.

Mr. SHILENSKY. Before the witness testifies, I would like to clear up an apparent misunderstanding which has developed between the committee staff and ourselves.

Over a month ago Mr. Zwillman and I called on Mr. Halley. I think we waited about 4 or 5 hours after the time which was fixed for our appointment because Mr. Halley was busy, and I can testify that not only was he very busy but the entire staff room was a beehive of ac-

tivity until 9 or 10 o'clock at night, when we finally did get in to see Mr. Halley and Mr. Klein.

We were then told that Mr. Zwillman might not be needed as a witness, and we were assured that if we were called he would have an opportunity to appear before the committee to urge that his testimony be taken in closed session.

As late as March 10, we were again told that there was no present intention or need of calling Mr. Zwillman, but if he were needed we would have a chance to confer on the subject.

Senator WILEY. Who told you?

Mr. SHILENSKY. Mr. Halley did.

Mr. HALLEY. I said that.

Mr. SHILENSKY. Soon after that, however, things became very confused. Mr. Hayes was ordered to produce our client and subpoena was issued. In the meantime Mr. Zwillman began to worry about the effects of appearing on television both on his friends and on his family—and he has two very young children—and also the effect on his business. Incidentally, his friends number in the thousands. They include priests, rabbis, doctors, men in public life, businessmen, and people in all walks of life.

Now I am not going into the details of Mr. Zwillman's illness during the few days that the committee wanted him because he is well enough now and he is here. But I think we can understand why under the circumstances a witness wouldn't hurry in to accept an invitation to appear in public. However, we regret the misunderstanding, and whether or not the fault was entirely ours, Mr. Zwillman is the only one who suffered by it at all.

I think it is also my duty at this time to again ask for a closed session, and I should object to the public hearing which is televised, broadcast, and recorded both on film and otherwise.

I think the private affairs of our citizens may be open, and unquestionably are open, to the scrutiny of the Congress, but they should not be open to the millions who attend the movies or watch television, listen to the radio, both in homes, clubs, and bars throughout the country.

We always entrust similar duties to grand juries, but we wisely seal the proceedings until the testimony which is given can be subjected to cross-examination.

Now on behalf of Mr. Zwillman we object to the open hearing under the circumstances.

Mr. HALLEY. Mr. Shilensky, as I understand the facts, you and Mr. Zwillman asked that you could both be heard and came down to Washington for that purpose; is that right?

Mr. SHILENSKY. That is right.

Mr. HALLEY. And the committee was having a hearing that day, and I don't believe I returned from the hearing and various conferences with the committee until 9 o'clock.

Mr. SHILENSKY. Yes; you were very busy on committee business, without doubt.

Mr. HALLEY. That is right. And then we all deferred eating and went right to work.

Mr. SHILENSKY. There is no criticism. I was attesting to the fact—

Mr. HALLEY. I am trying to get the facts.

Mr. SHILENSKY. That you were extremely busy. So was the entire office. There is no criticism.

Mr. HALLEY. Mr. Klein and you and Mr. Zwillman and I sat down and went over the facts you wanted to give us; is that right?

Mr. SHILENSKY. That is right.

Mr. HALLEY. And I said that before we would call him again, in view of the facts he had stated, we would talk to him again?

Mr. SHILENSKY. That is right.

Mr. HALLEY. Is that right?

Mr. SHILENSKY. That is right.

Mr. HALLEY. And then one day, the day before I was to examine, I believe, Frank Costello—

Mr. SHILENSKY. Saturday night at 6 o'clock.

Mr. HALLEY. Your partner, Mr. Arthur Garfield Hays, came into my office and wanted to engage in a discussion about Mr. Zwillman. You may remember that.

Mr. SHILENSKY. Yes; I was there.

Mr. HALLEY. I said that under the circumstances at that time I wasn't sure whether we would want him or not, and I wanted to defer the discussion. Do you recall that?

Mr. SHILENSKY. Yes, sir; that is correct.

Mr. HALLEY. Those are the facts?

Mr. SHILENSKY. Those are the facts. You have stated them accurately.

Mr. HALLEY. Then it appeared we would want to call Mr. Zwillman, and we made efforts to find either Mr. Hays or Mr. Zwillman, and at that point things did become vague. We couldn't find Mr. Zwillman. Do you recall that?

Mr. SHILENSKY. Yes, I do recall that, but one of the calls which was made to Mr. Hays at 11 o'clock on Friday morning was that Mr. Zwillman be produced at 2 o'clock. Mr. Hays said that he then had scheduled for that afternoon a murder trial in Trenton of six men who were being tried for murder. Mr. Hays said he was scheduled to appear there and couldn't possibly be before the committee or the committee staff.

Mr. HALLEY. This went on for a period of a week; do you recall?

Mr. SHILENSKY. No, I don't think it was a period of a week at all.

Mr. HALLEY. As a matter of fact, there came a time when Mr. Hays said he would like to bring Mr. Zwillman in but he frankly couldn't locate his own client.

Mr. SHILENSKY. That is right; there were 2 days we were not in contact.

The CHAIRMAN. During that time we had a subpoena issued to try to find him ourselves and couldn't find him.

Mr. HALLEY. That is right.

What I want to say at this point, Mr. Shilensky, is that we had every intention of talking to Mr. Zwillman and Mr. Hays and trying to straighten out the facts in the matter, but we couldn't find Mr. Zwillman and we couldn't find Mr. Hays, and that is why he is here now.

Mr. SHILENSKY. Mr. Hays and I were both at your office. You were busy.

Mr. HALLEY. The staff couldn't get a satisfactory conversation with Mr. Hays and couldn't get Mr. Zwillman at all.

Mr. SHILENSKY. I don't think there is any criticism on our part——

Senator TOBEY. Mr. Chairman, we came in to have a hearing, and all this pettifoggery going on isn't essential to the main issue. I say get on with the dance.

The CHAIRMAN. All right; suppose we proceed.

Mr. Shilensky, we will have to in this hearing treat Mr. Zwillman as we do other witnesses who have been in, and we will have to proceed with the hearing.

Mr. SHILENSKY. We may preserve our objections, of course.

The CHAIRMAN. Yes, indeed.

TESTIMONY OF ABNER ZWILLMAN, ACCOMPANIED BY MORRIS SHILENSKY, ATTORNEY, NEW YORK, N. Y.

Mr. HALLEY. Now, do you recall, Mr. Zwillman, that part of our discussion was whether you had since the days of prohibition been engaged in any illicit or illegal activities?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. Mr. Zwillman, put those mikes close to you. We can't hear you up here. Or sit up a little closer.

Mr. ZWILLMAN. Am I all right now? Can you hear me, Senator?

The CHAIRMAN. Yes; we can hear you now.

Mr. HALLEY. That is still the point about which we would like to talk to you.

Mr. ZWILLMAN. Very well, sir.

Mr. HALLEY. What is your full name, Mr. Zwillman?

Mr. ZWILLMAN. Abner Zwillman.

Mr. HALLEY. Have you been known by any other names?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. What are they?

Mr. ZWILLMAN. Oh, I don't know. I had a nickname.

Mr. HALLEY. What was that?

Mr. ZWILLMAN. Long, and somebody put an "ie" on that, and made it "Longie."

Mr. HALLEY. Were you ever named Abe Fitzell?

Mr. ZWILLMAN. Oh, yes, I remember that. Somebody had a—somebody——

Mr. HALLEY. What were the circumstances?

Mr. ZWILLMAN. Somebody had a room at the Waldorf, and I sort of took it over and used his name.

Mr. HALLEY. What period was that?

Mr. ZWILLMAN. Maybe 15 years ago—more. I would say about 15 years. I am not sure, Mr. Halley.

Mr. HALLEY. And you occupied a room at the Waldorf under the name of Abe Fitzell?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. For how long a period?

Mr. ZWILLMAN. Maybe 8 or 9 months.

Mr. HALLEY. Was your home there?

Mr. ZWILLMAN. I just lived there. I was single.

Mr. HALLEY. And you lived there under the name of Abe Fitzell?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Was this after prohibition?

Mr. ZWILLMAN. I believe so.

Mr. HALLEY. What would be the reason for living at the Waldorf-Astoria Hotel under an assumed name?

Mr. ZWILLMAN. I certainly wasn't hiding, Mr. Halley. Everybody knew I was there. Just this man was registered there and I took over the apartment.

Mr. HALLEY. What other names have you used? Have you ever used the name Abe Long?

Mr. ZWILLMAN. I may have 20, 25 years ago.

Mr. HALLEY. And in what connection did you use the name Abe Long?

Mr. ZWILLMAN. Never to hide from anybody.

Mr. HALLEY. Why would you use a name different from your own?

Mr. ZWILLMAN. It is one of the many things that is going to be very hard to explain, Mr. Halley. A lot of peculiar things done in those days. If you sit back now and ask yourself why, there is no answer, no reason.

Mr. HALLEY. In other words, it was wrong but you are sorry it was wrong; is that right?

Mr. ZWILLMAN. Oh, of course. There is no reason.

Mr. HALLEY. You mean no excuse rather than—

Mr. ZWILLMAN. No excuse, if that is the proper word.

Mr. HALLEY. Have you ever been convicted of a crime?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Would you state when and where?

Mr. ZWILLMAN. Say, I can't—Mr. Senator—

The CHAIRMAN. All right, now, boys, you got enough pictures. Let's move out.

Mr. ZWILLMAN. Leave me alone while I am talking. If you want another one, go ahead. Is it all right, Senator?

The CHAIRMAN. All right; sure.

Mr. ZWILLMAN. Let them take all they want. I feel like I am getting shot. [Laughter.]

The CHAIRMAN. You will let them have one more picture; is that correct?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. How old are you, Mr. Zwillman?

Mr. ZWILLMAN. Forty-seven, Mr. Senator.

The CHAIRMAN. All right. Thank you. There will be no more pictures during the testimony, please.

Mr. ZWILLMAN. You will have to excuse me, fellows, it is awfully hard for me to operate here.

Mr. HALLEY. Now, the last question was whether you had ever been convicted of a crime.

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And could you tell the committee when and under what circumstances?

Mr. ZWILLMAN. Well, it's a long story. It goes back, I think, to about 1925 or 1926. And some man up in the old ward that time, some man got hit with a blackjack, and they said I did it. A lot of circumstances surrounded that. If you have the full testimony of the case, I think it more or less would bear it out.

Mr. HALLEY. In any event, you were convicted of disorderly conduct; is that right?

Mr. ZWILLMAN. I think that was assault and battery, Mr. Halley.

Mr. HALLEY. Well, that was assault and robbery in 1930. Is that what you mean?

Mr. ZWILLMAN. No, sir; I don't recall any assault and robbery.

Mr. HALLEY. You say it was assault and battery?

Mr. ZWILLMAN. I think so.

Mr. HALLEY. Before that you had a disorderly conduct in 1926; did you not?

Mr. ZWILLMAN. Possible; I don't recall.

Mr. HALLEY. Do you recall?

Mr. ZWILLMAN. I don't recall.

Mr. HALLEY. Was it a suspended sentence?

Mr. ZWILLMAN. It is very possible. I got in trouble quite often in those days.

Mr. HALLEY. What do you mean by "quite often"?

Mr. ZWILLMAN. Well, in street corner fights and things of that kind.

Mr. HALLEY. And then you were convicted and sent to jail for 6 months for this assault case?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. The record I have shows it to be assault and robbery. Is that wrong?

Mr. ZWILLMAN. That is absolutely wrong.

Mr. HALLEY. You say it was assault and battery?

Mr. ZWILLMAN. I am quite sure.

Mr. HALLEY. And then as recently as 1939 you got into a mess again; did you not?

Mr. ZWILLMAN. With whom?

Mr. HALLEY. The Federal courts, New York, on contempt.

Mr. ZWILLMAN. Oh, yes. Well, that was one of the times when they rounded everybody up that had any connection with the whole business and took everybody in, and I guess I got scooped in with them just like here.

Mr. HALLEY. Well, you are not in contempt here yet—you are talking. How did you get into contempt there, Mr. Zwillman?

Mr. ZWILLMAN. I don't remember the circumstances.

Mr. HALLEY. Well, you remember you were convicted of contempt, and there was an appeal, and the case was reversed.

Mr. ZWILLMAN. Yes, sir; I know that.

Mr. HALLEY. You don't recall any of the circumstances?

Mr. ZWILLMAN. I know they—I really don't know. I would rather not answer. I am not sure.

Mr. HALLEY. You had refused to answer certain questions, had you not, before the grand jury?

Mr. ZWILLMAN. Oh, yes; yes. I don't know what the questions are. I thought that was what you were asking me.

Mr. HALLEY. Simply that you did refuse to answer questions.

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And what was the investigation about, do you recall?

Mr. ZWILLMAN. Excuse me. May I speak to my counsel?

Mr. HALLEY. Surely.

(The witness confers with counsel.)

Mr. ZWILLMAN. Is that the Buchalter investigation, sir?

Mr. HALLEY. That is right, the Murder, Inc., investigation, was it not?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. It wasn't the Brooklyn part, but it was an investigation growing out of the Brooklyn Murder, Inc., in the Federal court, was it not?

Mr. ZWILLMAN. Not that I recall, Mr. Halley. I think that he was just missing, and they did that to try to get him in. I don't recall there ever being any mention of any Murder, Inc., there.

Mr. HALLEY. Well, the Federal Department of Justice was trying to get Buchalter to respond to a subpoena; is that right?

Mr. ZWILLMAN. That is as I recall it; yes.

Mr. HALLEY. And a lot of people were being questioned in an effort to bring him in; is that right?

Mr. ZWILLMAN. Correct.

Mr. HALLEY. Among those who were being questioned were you?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And Frank Costello; is that right?

Mr. ZWILLMAN. I don't recall him being there.

Mr. HALLEY. Well, do you recall that you and Frank Costello were credited with finally bringing Buchalter in?

Mr. ZWILLMAN. I don't know about it.

Mr. HALLEY. Did you have anything to do with it?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. But you refused to answer certain questions and did get convicted for contempt of court in that connection?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And the conviction was then reversed?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Now, starting for the moment at a period before the end of prohibition, would you tell the committee what your activities were in the bootlegging field so they will have a fair picture of your activities before the repeal of prohibition?

Mr. ZWILLMAN. You mean before prohibition?

Mr. HALLEY. Before it was repealed, during prohibition.

Mr. ZWILLMAN. I have got a little something here I want to read off, Mr. Halley.

Mr. HALLEY. Go right ahead.

Mr. ZWILLMAN. May I, Mr. Senator?

The CHAIRMAN. Yes, indeed; please.

Mr. ZWILLMAN. Before answering any further questions, I would like to have an opportunity to read a statement which was prepared in consultation with my attorneys.

The CHAIRMAN. A little louder. We can't quite hear you.

Mr. ZWILLMAN. Is this better now?

The CHAIRMAN. That is better.

Mr. ZWILLMAN. It is, and has been, my intention in coming here as a witness to answer every proper question to the best of my ability but without waiving any rights which I may have under the Constitution and under the law.

If I understand the scope of this committee's function correctly, it is to investigate organized interstate crime. Therefore, one might conclude that I was called here either on the assumption that I have some facts concerning such crime or that I am myself engaged in interstate crime. However, when one considers the nature of the questions asked of the witnesses who preceded me, and one has fol-

lowed their appearance here, one wonders whether he is only a witness when he appears here. I have a feeling that this committee, or in any event one or more enforcement agencies of the Government is seeking to implicate me in some Federal offense. I know that many enforcement agencies of the Government have for a long time been engaged in an extensive investigation of my affairs and those of my business associates, and even my friends and relatives for many years.

My attorneys have been told, directly by responsible officers of the Government, that they have a suspicion and feeling that I have committed Federal crimes, and that they seek upon which to prosecute me.

I have tried prior to attending this hearing to seek advice from my attorneys as to the scope of the various Federal laws so that I may be aware of the danger of incrimination in various fields. I have come to the conclusion that it would be impossible for an average person, not trained in the law, and who has been actively engaged in many businesses and endeavors over a period of years, particularly in association with other people, to be fully aware of all the Federal laws which might govern or control these matters.

In my business I use the mails and other means of interstate commerce and communications. My income-tax matters are in the hands of the Intelligence Unit, which is the Penalty Division of the Treasury Department. I think the Treasury Department officials have attended these hearings, are in attendance now. This committee has obtained copies of my tax returns and has made inquiries concerning the same.

These and other factors contribute to my fear that the answers to some of the questions which may be put to me may tend to incriminate me. I also have the fear that in answering some of the questions which in themselves appear harmless, I may be waiving my constitutional rights. I hope that I can distinguish correctly between the permissible questions and those which I need not answer. I want to assure this honorable committee that I have the greatest respect for its dignity, and nothing I do or fail to do is intended to disregard its authority.

I decline to answer that question on the ground it will incriminate me.

MR. HALLEY. I am referring now to something prior to 1932, Mr. Zwillman.

MR. ZWILLMAN. That is in the area which involves taxes, and I understand the Tax Department is still investigating that period as well as this.

I may say, Mr. Senator, that I have tried to sit down with tax people for a number of years to effectuate a settlement, and for reasons of their own, probably good reasons, they have refused to make a settlement.

THE CHAIRMAN. Mr. Zwillman, there is a 3-year limitation on the prosecution for violation of tax fraud unless you waive it. I cannot conceive of what your operations prior to repeal of prohibition would have to do with the present tax liability.

We don't want to have any trouble with you, Mr. Zwillman, but you can't get by with that kind of an answer here tonight.

MR. SHILENSKY. Mr. Chairman, we would think there is a 6-year statute of limitations on Federal income-tax crimes. However, in the last or next to last conference we had with the Intelligence Unit, Mr. Hays and I were there, and I think Mr. Baridell, who is head

of the Intelligence Unit, and three or four other men in that Department, some of them lawyers, were there, and we urged the 6-year statute of limitations on them. And they said, "Well, there are such things as continuing conspiracy, and we are going back just as far as we can to see what we can do to find evidence of Mr. Zwillman having committed a crime."

Mr. HALLEY. Well—Mr. Shilensky, are you finished?

Mr. SHILENSKY. Yes; I explained the statute of limitations.

Mr. HALLEY. Due to the fact that the question seems to be almost clearly one that must be answered I would like to phrase a series of questions on the subject which would be more specific, so that the committee may rule on specific questions, rather than a general one.

Mr. Zwillman, were you in the bootlegging business during the prohibition era?

Mr. ZWILLMAN. By the admission do I waive my rights, Mr. Halley?

Mr. HALLEY. I cannot advise you.

The CHAIRMAN. Mr. Zwillman, if you answer that question, why then that is the question that is before you, that is the only question, whether you were in the bootlegging business prior to the repeal of prohibition.

Mr. ZWILLMAN. Excuse me, yes.

Mr. HALLEY. And would you name your associates in that business?

Mr. ZWILLMAN. I decline that on the ground that it will incriminate me.

The CHAIRMAN. The Chair directs you to answer.

Mr. ZWILLMAN. I decline on the grounds that it would tend to incriminate me.

Mr. HALLEY. Where did you buy the liquor which you sold during the prohibition period?

Mr. ZWILLMAN. Canada.

Mr. HALLEY. And from whom did you buy it?

Mr. ZWILLMAN. I decline to answer that on the grounds that it will tend to incriminate me.

The CHAIRMAN. The Chair directs you to answer.

Mr. ZWILLMAN. I decline to answer.

Mr. HALLEY. Did you import such liquor into the United States?

Mr. ZWILLMAN. I decline to answer that, sir. On the same grounds.

The CHAIRMAN. You are directed to answer that.

Mr. ZWILLMAN. I decline to answer on the grounds that it may tend to incriminate me.

Mr. HALLEY. You are perfectly clear in your mind that I am referring to events which occurred prior to the repeal of prohibition?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Now, during that period, let us say between 1920 and 1932, in order to be specific, did you know John Torrio?

Mr. ZWILLMAN. I don't think I ever met him, sir.

Mr. HALLEY. Did you know Big Bill Dwyer?

Mr. ZWILLMAN. I knew him casually.

Mr. HALLEY. Did you ever have any business relations with Big Bill Dwyer?

Mr. ZWILLMAN. I don't think so.

Mr. HALLEY. Did you at that time know Frank Costello?

Mr. ZWILLMAN. In 1920?

Mr. HALLEY. Between 1920 and 1933?

Mr. ZWILLMAN. I met Costello, but I don't just remember when, sir.

Mr. HALLEY. Did you have any—

Mr. ZWILLMAN. I am not sure. It does not go back to any 1920's.

Mr. HALLEY. When you say you met Costello, are you inferring that you do not know him well?

Mr. ZWILLMAN. No; I am not inferring that.

Mr. HALLEY. He is a good friend of yours, is he not?

Mr. ZWILLMAN. I know him.

Mr. HALLEY. Well, you know him quite well, do you not?

Mr. ZWILLMAN. Very well.

Mr. HALLEY. You are in frequent touch with him?

Mr. ZWILLMAN. No, sir; not frequent.

Mr. HALLEY. By telephone?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. You do call him on the telephone?

Mr. ZWILLMAN. May I say something on that?

Mr. HALLEY. Yes, sir.

Mr. ZWILLMAN. You are referring to those four calls?

Mr. HALLEY. I am referring to more than four calls, Mr. Zwillman.

Mr. ZWILLMAN. I have been trying to for days to rack my brain to find out what it was about. There would be no occasion in the world to call him four times, but I believe that must be there, and the only conclusion I can come to is that I put in a request to get some rooms for somebody in the Roosevelt Hotel, but I am not sure of that. I am not making a definite statement. That would be the only reason why I would call that man more than once. I would call him once, and I would not deny it, but I have no reason why I would ever call him four times.

Senator TOBEY. Is Mr. Costello a renting agent for the Roosevelt Hotel?

Mr. ZWILLMAN. I would not know, sir.

Senator TOBEY. Why did you call him about getting rooms then?

Mr. ZWILLMAN. Because I thought he could help me.

Senator TOBEY. How would he help you; how would he; what was his connection with the Roosevelt Hotel?

Mr. ZWILLMAN. He goes there occasionally and I don't, Mr. Senator.

Senator TOBEY. That is the only reason, because he goes there as a guest?

Mr. ZWILLMAN. I would say so.

Mr. HALLEY. During the prohibition era did you know Willie Moretti?

Mr. ZWILLMAN. Just about met him.

Mr. HALLEY. Just about met him?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. And Salvatore Moretti?

Mr. ZWILLMAN. I did not know him until many years later, Mr. Halley.

Mr. HALLEY. Frank Sagerino, did you know him during the prohibition era?

Mr. ZWILLMAN. I think I may have met him.

Mr. HALLEY. And did you do any business with him?

Mr. ZWILLMAN. Frank Sagerino?

Mr. HALLEY. Yes; have you ever had any business relationship with him?

Mr. ZWILLMAN. I don't recall it, sir. It is a long time back.

Mr. HALLEY. Is it possible?

Mr. ZWILLMAN. It is possible that I might have.

Mr. HALLEY. Well, did you buy your liquor direct in Canada from Bruffman?

Mr. ZWILLMAN. I decline to answer that on the ground that it might incriminate me.

The CHAIRMAN. The Chair directs you to answer.

Mr. ZWILLMAN. I am sorry, Mr. Senator; I decline to answer.

Mr. HALLEY. How long have you known Reinfeld?

Mr. ZWILLMAN. I guess 25 years.

Mr. HALLEY. And in what connection did you first meet Joe Reinfeld?

Mr. ZWILLMAN. Just knew him in town.

Mr. HALLEY. When did you first have any business relationship with Joe Reinfeld?

Mr. ZWILLMAN. Excuse me, sir. I decline to answer this in the grounds that it tends to incriminate me.

The CHAIRMAN. You are directed to answer.

Mr. ZWILLMAN. I decline again, sir. Mr. Senator, must I say the whole thing out?

The CHAIRMAN. You do not need to say it all out, if that is what you mean.

Mr. ZWILLMAN. All right, sir.

The CHAIRMAN. On the grounds that it might incriminate you.

Mr. HALLEY. When did you first meet Harry Davis?

Mr. ZWILLMAN. Well, I would say around 1924 or 1925.

Mr. HALLEY. Was he, also, in the bootlegging business?

Mr. ZWILLMAN. I guess so.

Mr. HALLEY. And was he in the business with you?

Mr. ZWILLMAN. I decline to answer on the grounds that it tends to incriminate me.

The CHAIRMAN. You are directed to answer.

Mr. ZWILLMAN. I decline, sir.

Mr. HALLEY. Was Joe Davis in the bootlegging business with you during the years 1920 to 1933 or any of those years?

Mr. ZWILLMAN. I decline to answer that, sir.

The CHAIRMAN. You are directed to answer.

Mr. ZWILLMAN. I decline.

Mr. HALLEY. Do you know Joe Davis?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Now, Mr. Zwillman, after prohibition, to what pursuits did you turn; I believe you did say you had been in the bootlegging business?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Were you in any other business besides bootlegging during the prohibition period?

Mr. ZWILLMAN. May I consult with counsel, sir?

Mr. HALLEY. Surely. That is what he is here for.

Mr. ZWILLMAN. I went into legitimate business, sir.

Mr. HALLEY. I am sorry; I did not hear you.

Mr. ZWILLMAN. I went into the yeast business.

Mr. HALLEY. You went into the yeast business?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. And when did you go into the yeast business?

Mr. ZWILLMAN. About 1935 or 1936.

Mr. HALLEY. But prior to that—I am now talking about the prohibition era—did you have any business besides bootlegging during the prohibition days?

Mr. ZWILLMAN. I don't recall, sir.

Mr. HALLEY. You mean the answer is "No"; is that right?

Mr. ZWILLMAN. Well, I don't know. I don't recall. I don't know what you mean.

Mr. HALLEY. Were you anything besides a rum runner during the prohibition days; did you have any other business?

The CHAIRMAN. Just a minute. Ladies and gentlemen, I will have to ask you not to make any demonstrations, one way or the other, during these hearings. Mr. Officer, will you please see that that rule is enforced.

Mr. ZWILLMAN. Prior to 1933?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. I decline to answer that, sir.

Mr. HALLEY. I am asking about legitimate business now.

Mr. ZWILLMAN. Legitimate business?

Mr. HALLEY. Yes, sir.

Mr. ZWILLMAN. Before 1933?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. I don't recall any.

Mr. HALLEY. Now, after 1933 you went into the yeast business?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And what was the name of your yeast business?

Mr. ZWILLMAN. United States Yeast Corp.

Mr. HALLEY. And who were your associates in that business?

Mr. ZWILLMAN. I don't know. I don't recall having any associates.

Mr. HALLEY. Was there a man named Pappeo?

Mr. ZWILLMAN. Yes. He got me into it.

Mr. HALLEY. He got you into it?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Did you invest capital in it?

Mr. ZWILLMAN. Oh, yes, too much.

Mr. HALLEY. And those were the proceeds of your bootlegging and rum-running activities?

Mr. ZWILLMAN. What do I tell him now? Do you mind if I turn around like that?

Mr. HALLEY. Sure, consult your counsel. That is your privilege; that is what he is here for.

Mr. ZWILLMAN. My counsel advises me that if I mention where the money came from it may tend to incriminate me.

The CHAIRMAN. You will be directed to answer that question.

Mr. ZWILLMAN. I decline, sir.

Mr. HALLEY. How much money did you put into the United States Yeast Corp.?

Mr. ZWILLMAN. I decline to answer that, sir.

The CHAIRMAN. Well, Mr. Zwillman, that is a legitimate business. I do not see your grounds for declining to answer that question.

Mr. ZWILLMAN. Mr. Senator, as I know to be, and I am not a lawyer, but all of that money will have to be accounted for and is being checked up.

The CHAIRMAN. In any event, you are ordered to answer the question.

Mr. ZWILLMAN. I am sorry, sir, I decline again.

Mr. HALLEY. I have been trying to keep away from your current income-tax situation, but I hardly see where 1935 would enter into the picture.

Mr. SHILENSKY. May I interrupt? When you say current income, the tax picture—the income-tax people have the tax returns under scrutiny all the way back, and what is more, they say that there is a tie-in between the prohibition money and the current business investments which Mr. Zwillman has. It is their contention, not ours.

Mr. HALLEY. Let us see. Did you come out of prohibition with a lot of money?

Mr. ZWILLMAN. I decline to answer that, sir.

Mr. HALLEY. Do you recall filing a net-worth statement in connection with your draft status in 1943, showing your total net worth to be \$78,000?

Mr. ZWILLMAN. In connection with what, sir?

Mr. HALLEY. Draft status, showing your total net worth to be \$78,000?

Mr. ZWILLMAN. I don't recall, sir.

Mr. HALLEY. You don't recall that? Is it possible that in 1943 you were worth only \$78,000?

Mr. ZWILLMAN. I decline to answer that, sir.

The CHAIRMAN. Well, you will be ordered to answer, Mr. Zwillman.

Mr. ZWILLMAN. I decline, sir.

Mr. HALLEY. Have you any way of accounting for how you might have stated such a small net worth in 1943?

Mr. ZWILLMAN. I decline to answer that, sir.

Mr. HALLEY. Is it not a fact that 1 year later you provided \$400,000 in connection with some money Mr. Reinfeld needed for a tax settlement?

Mr. ZWILLMAN. I decline to answer that on the grounds that it tends to incriminate me.

The CHAIRMAN. Well, again you will be ordered to answer.

Mr. ZWILLMAN. I decline, sir.

Mr. HALLEY. After this Yeast Corp., what was your next legitimate business?

Mr. ZWILLMAN. Beer tapping.

Mr. HALLEY. The keg-tap system?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And were you in that alone?

Mr. ZWILLMAN. No, I had some partners in there.

Mr. HALLEY. Who were they?

Mr. ZWILLMAN. I don't even remember, a party by the name of Harr. H-a-r-r?

Mr. HALLEY. I do not know, I am asking you.

Mr. ZWILLMAN. I think that is who it was.

Mr. HALLEY. Anyone else?

Mr. ZWILLMAN. I think there were two Harr brothers, and I don't know if they were partners, and the father.

Mr. HALLEY. That had to be with the beer business, did it not?

Mr. ZWILLMAN. Just taps, beer taps.

Mr. HALLEY. For beer?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. And your yeast business, was that to provide yeast for brewers, industrial yeast?

Mr. ZWILLMAN. No, no, baker's yeast.

Mr. HALLEY. Baker's yeast.

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Did you ever provide any yeast for brewers?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. You had nothing to do with the brewing business after prohibition?

Mr. ZWILLMAN. I decline to answer that on the ground that it would incriminate me.

The CHAIRMAN. You are ordered to answer that question.

Mr. ZWILLMAN. Decline, sir.

Mr. HALLEY. The keg-tap system, was that manufacturing beer-dispensing equipment?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. How long did you stay in that business?

Mr. ZWILLMAN. Until I went broke in there.

Mr. HALLEY. You did not go broke, the business went broke; is that right?

Mr. ZWILLMAN. Well, whatever money I put in there I lost.

Mr. HALLEY. And how much did you put into the keg-tap business?

Mr. ZWILLMAN. I decline to answer that, sir, on the ground that it will incriminate me.

Mr. SHILENSKY. I do not think, if I may suggest, that that direction is merely time-taking.

The CHAIRMAN. Can we have it understood that you are directed to answer and that you refuse to answer, unless the Chair orders the question withdrawn and you need not answer?

Mr. SHILENSKY. And that the witness' refusal to answer is on the grounds that it may tend to incriminate him.

The CHAIRMAN. Do you understand that, Mr. Zwillman?

Mr. ZWILLMAN. Yes, Mr. Chairman.

The CHAIRMAN. Let us get along.

Mr. HALLEY. The yeast business was in 1935; is that right?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. And the keg-tap business in 1936?

Mr. ZWILLMAN. About that time.

Mr. HALLEY. Our records show that.

Mr. ZWILLMAN. About that time, yes.

Mr. HALLEY. And then in 1937 you went into the Public Service Tobacco Co.; is that right?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. What kind of business is that?

Mr. ZWILLMAN. Cigarette vending.

Mr. HALLEY. And do you have any associates in that business?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Who are they?

Mr. ZWILLMAN. Well, I might qualify that by saying that my wife and two kids own my half and Mr. Lascari's wife and two kids own his.

Mr. HALLEY. Mr. Michael Lascari?

Mr. ZWILLMAN. Yes, sir. So we are just employees of the company as it is today.

Mr. HALLEY. You both work for the company and your families own the stock?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. When did Mr. Lascari join you in that business?

Mr. ZWILLMAN. When I bought into the business he was already there.

Mr. HALLEY. In 1937 he was already there?

Mr. ZWILLMAN. About that time, yes.

Mr. HALLEY. And how did you happen to buy into the business?

Mr. ZWILLMAN. Two people I knew had a half interest and they wanted to sell it. I wanted a business after losing the keg tap so—

Mr. HALLEY. Who were the two business people who had that business?

Mr. ZWILLMAN. I think Mr. Stacher and Mr. Catena.

Mr. HALLEY. Mr. Joseph Stacher?

Mr. ZWILLMAN. I believe so.

Mr. HALLEY. And Mr. Jerry Catena?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And Joe Stacher was another man who was in the bootleg business back in the prohibition days, was he not?

Mr. ZWILLMAN. I guess so.

Mr. HALLEY. And then in the gambling business afterward, is that right?

Mr. ZWILLMAN. I don't know about that.

Mr. HALLEY. Well, he is now in Reno, is he not, operating gambling?

Mr. ZWILLMAN. I understand so.

Mr. HALLEY. A gambling casino?

Mr. ZWILLMAN. I understand so, sir.

Mr. HALLEY. He was in various gambling enterprises in New York and New Jersey?

Mr. ZWILLMAN. He may have been, I would not know about them.

Mr. HALLEY. And who is Jerry Catena?

Mr. ZWILLMAN. He is a man I have known a long time.

Mr. HALLEY. And in what business is he?

Mr. ZWILLMAN. Express business.

Mr. HALLEY. I am sorry?

Mr. ZWILLMAN. Trucking.

Mr. HALLEY. Trucking?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. He has an interest in a trucking business; is that right?

Mr. ZWILLMAN. Right.

Mr. HALLEY. And that is the People's Express Co.?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. The committee, as you know, has heard testimony about his interest is purely financial, he provided the capital.

Mr. ZWILLMAN. Uh-huh.

Mr. HALLEY. Is that your understanding?

Mr. ZWILLMAN. I don't know.

Mr. HALLEY. Was it a gambling business?

Mr. ZWILLMAN. How would I know, Mr. Halley?

Mr. HALLEY. Is not the real business a gambling business?

Mr. ZWILLMAN. I don't know, only from what I read in the papers.

Mr. HALLEY. What do you read in the papers?

The CHAIRMAN. The testimony so shows, so let us go ahead.

Mr. HALLEY. I am trying to develop it, Mr. Chairman, that you must know that Mr. Catena was one of the participants in the Lodi gambling establishment and other gambling establishments in New Jersey, do you not?

Mr. ZWILLMAN. That was in the paper, Mr. Halley. I don't know.

Mr. HALLEY. And he is a close friend of yours, is he not?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And has been for many years?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Do you know whether or not he is a close friend of Frank Costello?

Mr. ZWILLMAN. He golfs with him a lot. I don't know whether that means being close friends or not.

Mr. HALLEY. Well, does he golf with you?

Mr. ZWILLMAN. I don't golf.

Mr. HALLEY. Does he associate with you and spend time with you?

Mr. ZWILLMAN. Not too much.

Mr. HALLEY. A certain amount then?

Mr. ZWILLMAN. Once in a while.

Mr. HALLEY. You are friends?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Now under what circumstances did Stacher and Catena sell out to you?

Mr. ZWILLMAN. For money.

Mr. HALLEY. Why did they sell out?

Mr. ZWILLMAN. I don't know. When I went out of this keg-tap business they asked me if I wanted to buy that and I said, "Yes," I was looking for a business.

Mr. HALLEY. How long had you known Lascari?

Mr. ZWILLMAN. About that period, I guess.

Mr. HALLEY. You met him through whom?

Mr. ZWILLMAN. I don't know. I think it was through this business.

Mr. HALLEY. Did you know Charley Lucky Luciano?

Mr. ZWILLMAN. Casually; not too well.

Mr. HALLEY. What do you mean by casually?

Mr. ZWILLMAN. I just knew him, Mr. Halley.

Mr. HALLEY. Sort of a casual acquaintance?

Mr. ZWILLMAN. Yes, I—never better than that.

Mr. HALLEY. Did you ever have any business with him?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. Did you know whether Lascari had any relationship with Luciano?

Mr. ZWILLMAN. What type of relationship?

Mr. HALLEY. Any kind.

Mr. ZWILLMAN. Social?

Mr. HALLEY. Any kind whatsoever to your knowledge?

Mr. ZWILLMAN. Told me he was born and raised with him.

Mr. HALLEY. Is that right?

Mr. ZWILLMAN. Children together, told me that.

Mr. HALLEY. They were brought up in the same—

Mr. ZWILLMAN. Brought up in the same household after his parents died or something like that, and he admits he is very friendly with him.

Mr. HALLEY. They have been and still are very friendly, is that right?

Mr. ZWILLMAN. I think so.

Mr. HALLEY. Lascari is one of the people who went to Ellis Island to see Luciano off, is that right?

Mr. ZWILLMAN. I understand that he went there to bring him his clothes.

Mr. HALLEY. Well, he made several trips, do you not know that?

Mr. ZWILLMAN. To where?

Mr. HALLEY. To Ellis Island.

Mr. ZWILLMAN. No; I don't know.

Mr. HALLEY. On successive days?

Mr. ZWILLMAN. I would not know that, sir.

Mr. HALLEY. And then do you know whether or not Lascari himself or any member of his family went to see Luciano in Italy?

Mr. ZWILLMAN. I know he went to Italy on a pilgrimage, I presume he saw him there.

Mr. HALLEY. You know he saw him there.

Mr. ZWILLMAN. I presume so. I haven't seen him there. He said he saw him.

Mr. HALLEY. So what was the tie that brought you and Lascari together?

Mr. ZWILLMAN. These fellows being partners with him and wanting to get out.

Mr. HALLEY. When you got out of the bootleg business, started out in private industry, did you seek associates who had connections with the underworld?

Mr. ZWILLMAN. Seek them?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. No.

Mr. HALLEY. Was it pure accident that your associates turned out to be that type?

Mr. ZWILLMAN. Which associates?

Mr. HALLEY. Lascari?

Mr. ZWILLMAN. I don't consider him the one.

Mr. HALLEY. You do not?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. What other business has he or has he had besides the cigarette vending?

Mr. ZWILLMAN. He had a brewery business in New York, I believe, he had a music-box business in New York. He handled the music-box business in New York and the beer business in New York. He came to Jersey and worked all day and all night on this public service thing. Now, certainly that does not spell out an underworld man who works 20 hours a day.

Mr. HALLEY. He had a juke-box business, did he not?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And in which he obtained his juke boxes from Meyer Lansky, is that not so?

Mr. ZWILLMAN. I would not know.

Mr. HALLEY. Lansky had the Wurlitzer?

Mr. ZWILLMAN. He had the Wurlitzer.

Mr. HALLEY. And Lascari got the juke boxes from Lansky, did he not?

Mr. ZWILLMAN. I would not know that.

Mr. HALLEY. Well, it is pure accident that your associates, friends tie into this group of people, all of whom dominated the rackets during prohibition?

Mr. ZWILLMAN. Well, it may be accidental. It may be that I was meeting better people in those days. There were different people in those days. I don't know.

Mr. HALLEY. Did you ever have any interest in the Atlantic Liquor Co.?

Mr. ZWILLMAN. Atlantic Liquor Co., no, sir.

Mr. HALLEY. Or in Capital Y. & N. Liquor Co., New York?

Mr. ZWILLMAN. No.

Mr. HALLEY. What other businesses have you had an interest in, Mr. Zwillman?

Mr. ZWILLMAN. Got the cigarette business.

Mr. HALLEY. Did you have General Motors trucks sales business?

Mr. ZWILLMAN. Excuse me, Mr. Halley. Yes, sir. I have an interest, pardon me, I have an interest in it.

Mr. HALLEY. When did you get that?

Mr. ZWILLMAN. About maybe a year and a half ago.

Mr. HALLEY. How did you happen to get that?

Mr. ZWILLMAN. Applied for it?

Mr. HALLEY. Did you pay?

Mr. ZWILLMAN. Not me. The president of it, Mr. Chasso.

Mr. HALLEY. Mr. Chasso?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Did you pay for it?

Mr. ZWILLMAN. For the agency?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. You mean it was given to you?

Mr. ZWILLMAN. I believe so. I don't think there was any money paid for it.

Mr. HALLEY. How much money have you invested in the business?

Mr. ZWILLMAN. I decline to answer that, sir, on the grounds of incrimination.

Mr. HALLEY. Do you have any money in any businesses that are not in your name, any properties in the names of other persons?

Mr. ZWILLMAN. Properties?

Mr. HALLEY. Properties or businesses?

Mr. ZWILLMAN. I decline to answer that, sir, on the grounds it will incriminate me.

Mr. SHELINSKY. Excuse me a moment so that I may consult with my client.

Mr. ZWILLMAN. I have two or three, sir, which other people are trustees.

Mr. HALLEY. What are they and who are the trustees?

Mr. ZWILLMAN. I decline to answer that, sir, on the grounds that it would incriminate me.

Mr. HALLEY. Who are the trustees?

The CHAIRMAN. We are not asking you the amount. We are asking you who the trustees are, Mr. Zwillman, and either answer or refuse to, one or the other.

Mr. ZWILLMAN. I decline to answer, Senator, on the grounds that it would incriminate me.

Mr. HALLEY. Do you understand that your declination means that your answer, if you answered truthfully, would, in your own opinion, tend to incriminate you; is that what you are trying to tell the committee?

Mr. SHELINSKY. Mr. Halley, did you say the answer or an answer?

Mr. HALLEY. An answer if made.

Mr. SHELINSKY. I think you said, "the answer."

Mr. HALLEY. Would in his own opinion tend to incriminate him. Is that what you are telling the committee now?

Mr. ZWILLMAN. I understand that anything concerning money at this point may tend to incriminate me, Mr. Halley. I can't distinguish where I lose my right and where I don't lose my right.

Mr. HALLEY. The question is whether you honestly in your own mind feel that if you answered these questions truthfully the answers would tend to incriminate you.

Mr. ZWILLMAN. Well, it seems to me like a discussion of money and I want it settled and I am waiting for the Government to settle it. Until they do I have got to be careful.

Mr. HALLEY. In your own mind you have done nothing that is criminal. Then your answers could not tend to incriminate you.

The CHAIRMAN. The question now is who are the trustees and your refusal to answer says that you think that stating who the trustees are would tend to incriminate you.

Mr. ZWILLMAN. If I answer the trusteeship, I do have to go into the details, sir?

Mr. HALLEY. I will ask for further details, of course.

Mr. ZWILLMAN. Mr. Hays' office is trustee in one deal.

Mr. HALLEY. When you say Mr Hays' office, who do you mean?

Mr. ZWILLMAN. Mr. Hays.

Mr. HALLEY. You mean Mr. Hays himself?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Who are the other persons who are trustees?

Mr. ZWILLMAN. A fellow by the name of Webber, a fellow by the name of Weis.

Mr. HALLEY. May we have the full name, please?

Mr. ZWILLMAN. Webber, Weis.

Mr. HALLEY. What is Webber's full name, these are your trustees, you should know their names.

Mr. ZWILLMAN. I decline to answer that, sir.

Mr. HALLEY. At this point your declining sounds to be simply a refusal of a man at bay to give the committee information.

Mr. ZWILLMAN. I am willing to give the tax people all of the information they want. I don't want the whole world to know my business.

Mr. HALLEY. You have already said it was a man named Webber. You must know his first name.

Mr. ZWILLMAN. I do, and I refuse to answer it, sir.

Senator TOBEY. You gave the name of Arthur Garfield Hays, why not give us the rest of them?

The CHAIRMAN. Very well, let us go on.

Mr. ZWILLMAN. I decline to answer that, sir.

Mr. HALLEY. Do you own any stock in the Hudson & Manhattan Railroad?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. Have you at any time owned any stock in the Hudson & Manhattan Railroad?

Mr. ZWILLMAN. I don't recall. I don't think so, but I owned a lot of stock one time up and down. I might have bought and sold. I do not recall. I do know I don't own any now.

Mr. HALLEY. Let us confine ourselves to the last 10 years. During the last 10 years have you owned any stock in the Hudson & Manhattan Railroad—I am not referring to 10 shares or a hundred—let us say stock in excess of 100 shares.

Mr. ZWILLMAN. I decline to answer that, sir, on the grounds that it incriminate me.

Mr. HALLEY. Have you, through a trustee or nominee or any third person, owned any stock in the Hudson & Manhattan Railroad in the last 10 years?

Mr. ZWILLMAN. I don't think so, but I decline to answer it. I don't know.

Mr. HALLEY. Well, it is not a trick question. I am simply trying to find out, there have been reports that you do, and I am trying in all good faith to find out, and I would very much want to get your answer without a declination. You need fear no trickery in this question.

Mr. ZWILLMAN. Well, will I lose my waiver on any other tax question?

Mr. HALLEY. I would like to say you will not. I am very anxious to get your answer on the Hudson & Manhattan Railroad specifically.

Mr. ZWILLMAN. I think there was a time when there was a thousand shares owned by me or somebody else, maybe less, I don't—never over a thousand.

Mr. HALLEY. How long ago?

Mr. ZWILLMAN. Oh, must be 5, 6 years, maybe more.

Mr. HALLEY. Well, was it within 5 years?

Mr. ZWILLMAN. I think it goes back further.

Mr. HALLEY. You feel it is more than 5 years ago?

Mr. ZWILLMAN. If it will help you out any, the way you are asking the question, I will get the date on that.

Mr. HALLEY. I will like it very much.

Mr. ZWILLMAN. Can I get it to you sometime tomorrow?

Mr. HALLEY. Will you get it to the committee as soon as you can?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Here in Washington?

Mr. ZWILLMAN. Yes, sir.

Senator WILEY. Did you buy outright or on margin?

Mr. ZWILLMAN. I really would not know, Senator.

Senator TOBEY. While you are on that subject, Mr. Halley, may I ask a question collaterally with reference to the Hudson & Manhattan Railroad.

Did you ever have a good deal of influence in the management of that road?

Mr. ZWILLMAN. No, sir. What do you mean by good deal of influence?

Senator TOBEY. Just what I asked you. Did you have much influence in naming controlling officials of that road?

Mr. ZWILLMAN. I decline to answer that, sir.

Senator TOBEY. I ask you now if your attorney, William Egan, was made president of that road awhile ago; was he not?

Mr. ZWILLMAN. He is not now my attorney for me.

Senator TOBEY. He was at one time; was he not?

Mr. ZWILLMAN. I don't recall a number—

Senator TOBEY. He was made president of the road, William Egan?

Mr. ZWILLMAN. I understand he was.

Senator TOBEY. Did you use your influence and support in efforts to get him elected president of the road?

Mr. ZWILLMAN. I decline to answer that, sir.

Senator TOBEY. Why do you not come clean with us here? I should think you would kind of hate yourself always covering up with that silly answer. Here is a Senate committee asking honest questions, and you come before us as an individual citizen. You have your rights, of course. We are looking for justice and to get the truth about these things. And so you cover up all the time. That is not the typical action of a real American citizen. Frankly, it is not. Help the committee out and come through. You will feel better tomorrow morning for doing it.

Mr. ZWILLMAN. I hope so, sir.

Senator TOBEY. You would, if you would let it go.

The CHAIRMAN. Go ahead.

Mr. HALLEY. On the subject it would be very helpful if you would tell the committee what, if any, your relationship was in detail with the Hudson & Manhattan Railroad. You say you owned some stock?

Mr. ZWILLMAN. I believe it was around a thousand shares.

Mr. HALLEY. About a thousand shares?

Mr. ZWILLMAN. I think so.

Mr. HALLEY. Were they in your own name?

Mr. ZWILLMAN. Either mine or somebody else's.

Senator TOBEY. Well, they had to be in somebody's name, of course; that is elementary.

Mr. ZWILLMAN. Mr. Tobey, I would like to get that clear.

Senator TOBEY. You said either yourself or somebody else. Now, that doesn't mean anything.

Mr. ZWILLMAN. May I answer?

Senator TOBEY. Go ahead.

Mr. ZWILLMAN. When I talk about a trust, it is not a case of concealing a situation, it is just a case where sometimes my name, with all this going on, kills a deal, instead of helping it, and that is why I am in an unfortunate position as trustee.

I will tell it to the tax people.

Mr. HALLEY. What was the deal you had with the Hudson & Manhattan? Was there a deal that you had with these thousand shares?

Mr. ZWILLMAN. No.

Mr. HALLEY. You said sometimes using your own name would kill a deal.

Mr. ZWILLMAN. Well, I was just illustrating, Mr. Halley. I am sorry, I got away from the subject. Senator Tobey was curious to know about it, and I wanted to know, or I wanted you to know that this trustee business is not a concealment of taxes.

Mr. HALLEY. Did you have any bonds in the Hudson & Manhattan Railroad?

Mr. ZWILLMAN. Truthfully, I don't know whether it was stocks or bonds, but not beyond that point; I think it was stock, Mr. Halley.

Mr. HALLEY. How did you happen to buy it?

Mr. ZWILLMAN. Somebody came around and said there was a chance of putting in some drink machines.

Mr. HALLEY. Some drink machines?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Who told you that?

Mr. ZWILLMAN. I don't know.

Mr. HALLEY. Did you ever put any drink machines in there?

Mr. ZWILLMAN. Not a one; never did no business, never put a nickel in there, never put in a drink machine, and sold the stock.

Mr. HALLEY. How long did you hold your stock?

Mr. ZWILLMAN. I could not honestly answer that. Now, I could get you the record tomorrow.

Mr. HALLEY. Well, I do want the record, but now as to your best recollection, how long did you hold it?

Mr. ZWILLMAN. Not too long, I don't think.

The CHAIRMAN. About 2 months, a year, how long?

Mr. ZWILLMAN. Honestly, Senator, I would not know.

Mr. HALLEY. Just your best recollection. Was it over a year?

Mr. ZWILLMAN. I would say it ran into a few months.

Mr. HALLEY. Did you ever do any other business whatsoever with the Hudson & Manhattan Railroad?

Mr. ZWILLMAN. Business?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. No business whatsoever?

Mr. ZWILLMAN. Insofar as selling them anything or buying from them?

Mr. HALLEY. Yes; that is right.

Mr. ZWILLMAN. Nothing.

Mr. HALLEY. Now, from whom did you buy your stock? Did you buy it on the open market, or did you buy it from an individual?

Mr. ZWILLMAN. I believe it was bought on the open market.

Mr. HALLEY. It was?

Mr. ZWILLMAN. I believe so.

Mr. HALLEY. Through a stock broker?

Mr. ZWILLMAN. I believe so.

Mr. HALLEY. And did you sell it on the open market or in a private sale?

Mr. ZWILLMAN. I would rather get the details in front of me, Mr. Halley, so that I do not mislead you. It seems to be an important question to you, so I will get the whole picture as quickly as I can and give it to you.

Mr. HALLEY. Were you a part of any group that was seeking to obtain control of the management?

Mr. ZWILLMAN. Well, there was all kinds of groups running around trying to do that.

Mr. HALLEY. That is not an answer, please. Were you asked to join any particular group that was seeking to obtain control of the Hudson & Manhattan Railroad?

Mr. ZWILLMAN. Somebody had solicited me that time, I don't recall who it was, but probably that thousand shares would have been voted with him, if he got it.

Mr. HALLEY. Did he go and solicit you?

Mr. ZWILLMAN. No.

Mr. HALLEY. Did a man named Kroese solicit you?

Mr. ZWILLMAN. I don't know of him.

Mr. HALLEY. Jack Kroese?

Mr. ZWILLMAN. I don't know him. I don't think so.

Mr. HALLEY. K-r-o-e-s-e.

Mr. ZWILLMAN. I don't think I do.

Mr. HALLEY. You don't think you know him?

Mr. ZWILLMAN. No.

Mr. HALLEY. You do know Egan?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Did he have anything at all to do with your buying that stock?

Mr. ZWILLMAN. I don't think so.

Mr. HALLEY. He did not?

Mr. ZWILLMAN. I don't think so.

Mr. HALLEY. Did you talk to anyone at all about Egan's aspirations to become president or chairman of the board of the Hudson & Manhattan Railroad?

Mr. ZWILLMAN. I don't recall.

Mr. HALLEY. Does that mean——

Mr. ZWILLMAN. I don't recall any conversation.

Mr. HALLEY. What is your best recollection? Believe me, there is no trick in this. I want your best recollection. If you think you did, say you think you did; if you think you did not, say you think you did not.

Mr. ZWILLMAN. I don't think that I spoke to anybody for him. He didn't need me, he was in there on his own.

Mr. HALLEY. You did not help him get that job in any way?

Mr. ZWILLMAN. He got into that situation on his own, and as I understood it, some fellow had a proxy fight over there, and wanted a lawyer and got him.

I understand that from there on he and this fellow got together. He did not get in there through me, if that is what you want to know, Mr. Halley.

Mr. HALLEY. Did you know any of the directors of the Hudson & Manhattan Railroad, with the exception of Egan?

Mr. ZWILLMAN. I would not know unless you called off the names.

Mr. HALLEY. To your own knowledge, did you ever know any directors; did you ever know any people whom you knew as directors of that railroad?

Mr. ZWILLMAN. I don't recall.

Mr. HALLEY. Have you ever had any voice in the management of that railroad?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. Have you ever, in addition to the thousand shares you have talked about, held any other stock, directly or indirectly?

Mr. ZWILLMAN. I don't think so.

Mr. HALLEY. Have any of the members of your family, to your knowledge?

Mr. ZWILLMAN. I don't think so—my family?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. I am positive they did not.

Mr. HALLEY. Or any nominees or trustees of yours?

Mr. ZWILLMAN. I am not even sure that I owned that. I think somebody else bought it for himself. I will find out. I want to be sure about that.

Mr. HALLEY. What is your point; you got someone else to buy it?

Mr. ZWILLMAN. No, no, no. Maybe somebody else bought it. I had an idea that maybe I had some, but I am not positive.

Mr. HALLEY. Now——

Mr. ZWILLMAN. Unless my records show it there, if you have got it; I don't have them. Have you got my tax return there?

Mr. HALLEY. On the Hudson & Manhattan, it would not show.

Mr. ZWILLMAN. No; I mean on my income-tax return.

Mr. HALLEY. Well, your Hudson & Manhattan would not show on the income tax.

Now, what other investments have you had that you can tell the committee about?

Mr. ZWILLMAN. I think I am going to decline to answer all questions on money, on the grounds that it will incriminate me.

Mr. HALLEY. Have you ever had an interest in the Browne Vintners & Co.?

Mr. ZWILLMAN. I decline to answer that on the ground it will tend to incriminate me.

Mr. HALLEY. Has an accountant named I. George Goldstein ever represented you?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. How did you happen to meet Goldstein?

Mr. ZWILLMAN. He lives in Newark and I live in Newark.

Mr. HALLEY. Did you meet him with Stacher?

Mr. ZWILLMAN. It could be.

Mr. HALLEY. In connection with some income-tax problem that you and Stacher had together?

Mr. ZWILLMAN. It could be.

Mr. HALLEY. And he has handled various work for you ever since; is that right?

Mr. ZWILLMAN. Yes; since that time he has.

Mr. HALLEY. Do you know a lawyer by the name of Handler?

Mr. ZWILLMAN. Oh, about 35 years.

Mr. HALLEY. And he is an official in the government of Newark, is he not?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. Corporation counsel?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Does Mr. Handler handle any of your matters?

Mr. ZWILLMAN. Occasionally.

Mr. HALLEY. Has he ever acted as a trustee for you?

Mr. ZWILLMAN. I don't think so. He may have; sometimes, you know, as a lawyer draws up a corporation, he will leave the stock there, and maybe that way; I am not sure. I don't recall him holding any stock for me.

Mr. HALLEY. Well, did he ever act for any of your corporations?

Mr. ZWILLMAN. I knew he drew up the papers for the G. M. C. thing, Mr. Halley, but whether he held any stock there or not, I don't know.

Mr. HALLEY. He has acted as nominee or agent?

Mr. ZWILLMAN. Is he agent? What does that mean, the fellow who gets the mail?

Mr. HALLEY. I guess so.

Mr. ZWILLMAN. I guess so.

Mr. HALLEY. Did you know that he also acted as a fellow who got the mail for some of the gambling corporations in New Jersey?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. And that I. George Goldstein asked him to do it?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. Did you know that I. George Goldstein was the accountant for the gambling corporations in New Jersey?

Mr. ZWILLMAN. I found it all out later.

Mr. HALLEY. You know the gambling corporations to which I refer.

Mr. ZWILLMAN. I read about it in the paper.

Mr. HALLEY. How long have you known Willie Moretti?

Mr. ZWILLMAN. About 20 years.

Mr. HALLEY. How long have you known his brother Sollie?

Mr. ZWILLMAN. Quite a few years less, Mr. Halley.

Mr. HALLEY. What has your business been with Moretti?

Mr. ZWILLMAN. None that I can recall.

Mr. HALLEY. And you have testified that you know Jerry Catena?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. And Arthur Longano?

Mr. ZWILLMAN. I don't know him.

Mr. HALLEY. Do you know Tony Guarino?

Mr. ZWILLMAN. I may know him. I am not sure.

Mr. HALLEY. He is a man who went to jail 2 years ago.

Mr. ZWILLMAN. I may have met him, but I could not say that I know him.

Mr. HALLEY. Did you know James Lynch?

Mr. ZWILLMAN. About the same way, I may have met, and may not have met him.

Mr. HALLEY. Now, can you explain—you know Joe Adonis, of course?

Mr. ZWILLMAN. I know Joe Adonis, but why of course? I know Joe Adonis.

Mr. HALLEY. You know him well; do you not?

Mr. ZWILLMAN. I know him fairly well.

Mr. HALLEY. Can you explain how these men happened to hire I. George Goldstein?

Mr. ZWILLMAN. Unless they met him in Florida, they never met him through me.

Mr. HALLEY. Could Mr. Catena have met him through you?

Mr. ZWILLMAN. Mr. Catena is just as likely to meet him in Newark as I am. You know, Newark is a small town.

Mr. HALLEY. Can you explain how they might have also used Mr. Handler to receive their mail, in connection with their taxes?

Mr. ZWILLMAN. Only through Goldstein, in my opinion. I am quite sure from what little bit I know that Handler would not know them.

Mr. HALLEY. How well do you know Meyer Lansky?

Mr. ZWILLMAN. Fairly well.

Mr. HALLEY. And what business have you had with him?

Mr. ZWILLMAN. To my recollection, none.

Mr. HALLEY. What connection did you ever have with Abe Reles?

Mr. ZWILLMAN. None.

Mr. HALLEY. Did you know him?

Mr. ZWILLMAN. I said once before, I am not sure if I met him or did not meet him, but I know I would not know him the second time if I fell all over him.

Mr. HALLEY. Did you know Tannenbaum?

Mr. ZWILLMAN. The same thing there.

Mr. HALLEY. How would you meet these fellows? They were by profession, were they not, the paid killers for Murder, Inc.?

Mr. ZWILLMAN. So I read in the paper, but in the old days I met everybody. That is all I can tell you.

Mr. HALLEY. How did you meet everybody in the old days? How did that work?

Mr. ZWILLMAN. Every place you went, you met somebody.

Mr. HALLEY. Have you ever made a political contribution?

Mr. ZWILLMAN. Of any significance or just——

Mr. HALLEY. Any political contributions.

Mr. ZWILLMAN. Well, I would make to who?

Mr. HALLEY. To anyone.

Mr. ZWILLMAN. I think I will refuse to answer that, Mr. Halley, on the ground that it would tend to incriminate me.

Mr. HALLEY. I am going to ask that again. Have you ever made a political contribution to anyone at any time?

Mr. ZWILLMAN (conferring with his counsel). Excuse me, please. I refuse to answer that, on the ground it will incriminate me.

Mr. HALLEY. Did you know Ralph Meli?

Mr. ZWILLMAN. I don't recall, sir. I don't think so.

Mr. HALLEY. He was murdered in New Haven.

Mr. ZWILLMAN. I don't think I knew him.

Mr. HALLEY. Can you think of any reason why he might have been in contact with the Public Service Tobacco Co.?

Mr. ZWILLMAN. No; never heard the name.

Mr. HALLEY. Do you know a man by the name of Torine?

Mr. ZWILLMAN. Torine?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. No.

Mr. HALLEY. You never never heard the name of Meli at all?

Mr. ZWILLMAN. Meli?

Mr. HALLEY. Yes, M-e-l-i.

Mr. ZWILLMAN. There is a lot of Melis around Essex County, Mr. Halley.

Mr. HALLEY. Ralph Meli.

Mr. ZWILLMAN. The name does not mean a thing to me.

Mr. HALLEY. It might be spelled M-e-l-e.

Mr. ZWILLMAN. I never heard the name.

Mr. HALLEY. He means nothing to you?

Mr. ZWILLMAN. No; all the Melis around our way are spelled M-e-l-e.

Mr. HALLEY. Do you from time to time have business with book-making establishments?

Mr. ZWILLMAN. Business?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. Just to make a bet. Maybe once in a while.

Mr. HALLEY. Do you have any other relationship with book-makers?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. Or with people in the gambling business?

Mr. ZWILLMAN. Business relationships?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. Do you ever eat at Duke's Restaurant, or did you, before it was closed?

Mr. ZWILLMAN. I would say I was there two or three times.

Mr. HALLEY. Would you say you were more than two or three times?

Mr. ZWILLMAN. I think so.

Mr. HALLEY. With whom were you at Duke's Restaurant?

Mr. ZWILLMAN. I don't recall. I just went up there.

Mr. HALLEY. Would you have occasion to telephone Duke's Restaurant?

Mr. ZWILLMAN. There would be occasion.

Mr. HALLEY. And what would that occasion be?

Mr. ZWILLMAN. A horse tip. That is about all I can think of.

Mr. HALLEY. Well, you know that Duke's Restaurant was a hang-out for the mobs, do you not?

Mr. ZWILLMAN. There were a lot of people around there.

Mr. HALLEY. Well, what kind of people?

Mr. ZWILLMAN. I don't know. They came in the place, a lot of people.

Mr. HALLEY. The Morettis spent a good part of almost every day there, did they not?

Mr. ZWILLMAN. Moretti was there.

Mr. HALLEY. What?

Mr. ZWILLMAN. Moretti was there.

Mr. HALLEY. Quite often, practically constantly?

Mr. ZWILLMAN. I would say so, but I would not know. I have not been there that often, Mr. Halley.

Mr. HALLEY. How would you know who was there?

Mr. ZWILLMAN. You said Moretti was there, and I said the two or three times I was there, he was there. Whether he was there the rest of the time, I don't know.

Mr. HALLEY. Did you go there to see him?

Mr. ZWILLMAN. Not especially.

Mr. HALLEY. Who did you go there to see?

Mr. ZWILLMAN. Driving around and going in to eat, and if I saw him I would say "Hello."

Mr. HALLEY. Joe Adonis hung out there, too?

Mr. ZWILLMAN. I imagine so.

Mr. HALLEY. You know so, don't you?

Mr. ZWILLMAN. I didn't see him when I was there.

Mr. HALLEY. Why do you imagine so?

Mr. ZWILLMAN. Because you said so.

Mr. HALLEY. You must have a better reason than that.

Mr. ZWILLMAN. He is supposed to be in Cliffside, and his place is in Cliffside.

Mr. HALLEY. You must know all these things from your good friends.

Mr. ZWILLMAN. I have not been up there enough. I presume they did. I did not frequent there, maybe three times, since the place was there, not over five times, and it is there a good many years.

Mr. HALLEY. What would be the occasion for your going there?

Mr. ZWILLMAN. Driving by, and would stop in to eat.

Mr. HALLEY. Who would call you from Duke's Restaurant?

Mr. ZWILLMAN. Oh, it would be, I imagine, Moretti.

Mr. HALLEY. Who else would call you from Duke's?

Mr. ZWILLMAN. I don't know who else would be there to call me.

Mr. HALLEY. What is the basis of your relationship with Duke's, with Moretti?

Mr. ZWILLMAN. There is really no basis of it. I have known the fellow a long time. He is a nice fellow. I did not see him too often; he bought a house down the shore, and I had a house down the shore, and I would see him once in a while there.

Mr. HALLEY. He was in the gambling business, was he not?

Mr. ZWILLMAN. Not to my knowledge.

Mr. HALLEY. What was your relationship with J. G. Bozo, Joe Bozo?

Mr. ZWILLMAN. Oh, I don't know, I don't recall any relationship with him.

Mr. HALLEY. Well, there was a period when you talked to him on the phone quite frequently; do you remember that?

Mr. ZWILLMAN. It could have been, but I don't recall the occasion or the reason.

Mr. HALLEY. Do you know whether or not he had a prison record?

Mr. ZWILLMAN. Joe Bozo?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. If he has, this is the first time I am hearing it.

Mr. HALLEY. Do you know whether or not he was ever tried for murder and acquitted?

Mr. ZWILLMAN. No; I don't know that.

Mr. HALLEY. Or whether he was ever convicted of burglary or possessing burglar's tools?

Mr. ZWILLMAN. I never heard of that.

Mr. HALLEY. You never heard any of those things?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. What is his business?

Mr. ZWILLMAN. Bozo?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. A politician, I guess.

Mr. HALLEY. He was campaign manager for the mayor of Paterson, was he not?

Mr. ZWILLMAN. He was quite active up there, Mr. Halley.

Mr. HALLEY. In politics?

Mr. ZWILLMAN. I think so.

Mr. HALLEY. Did you ever make a political contribution to Bozo?

Mr. ZWILLMAN. To him?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. No.

Mr. HALLEY. What business did you have with him?

Mr. ZWILLMAN. I don't recall what the occasion was. Did I call him many times?

Mr. HALLEY. Well, do you recall a period in 1946, when the Federal agents were checking gambling in Passaic and West Paterson?

Mr. ZWILLMAN. I know the Federal agents have always been checking gambling up there.

Mr. HALLEY. And do you recall a particular time in 1946 when they came in to make a drive?

Mr. ZWILLMAN. No.

Mr. HALLEY. An article to that effect appeared in the newspapers even at that time, do you remember that?

Mr. ZWILLMAN. I don't recall. It may be I was not around.

Mr. HALLEY. Well, you might have been around, because on that occasion you called Mr. Bozo 14 times in quick succession.

Mr. ZWILLMAN. Fourteen times?

Mr. HALLEY. Yes; so the record shows. Of course, we just have the records.

Mr. ZWILLMAN. I would have to ask him what it was about. I cannot recall what it is. I don't recall having any business with him to call him 14 times.

Mr. HALLEY. Did he have anything to do with the gambling business?

Mr. ZWILLMAN. Not to my knowledge.

Mr. HALLEY. Did you have anything to do with the gambling business?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. Why did you call the Home Movies Exchange?

Mr. ZWILLMAN. If I called there, it was to get a tip on a horse or make a bet on a horse.

Mr. HALLEY. Who would you call there?

Mr. ZWILLMAN. I don't know.

Mr. HALLEY. How did you know about it?

Mr. ZWILLMAN. Probably had a card, or something. Maybe I did not even call. Where was it, from my office or home?

Mr. HALLEY. That was Frank Erickson's place, was it not?

Mr. ZWILLMAN. Was it from my office or house?

Mr. HALLEY. We would like a little bit of your own recollection.

Mr. ZWILLMAN. I have not got a good one, especially today.

Mr. HALLEY. What do you mean by "especially today"? I should think that is in itself a contemptuous remark.

Mr. ZWILLMAN. I am sorry, sir.

Mr. HALLEY. You are trying to help the committee, aren't you?

Mr. ZWILLMAN. Yes, sir. This has been a tough day. I did not mean to be facetious.

Mr. HALLEY. Whom did you know at the home of the movie exchange or rather, at the Home Movies Exchange?

Mr. ZWILLMAN. If you want to know if I know Erickson, I knew him.

Mr. HALLEY. You knew Erickson?

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. What business did you have with Governor Hoffman?

Mr. ZWILLMAN. Business?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. No business.

Mr. HALLEY. Did you ever telephone him?

Mr. ZWILLMAN. Well, there used to be a fellow around the office who used to call him probably a lot.

Mr. HALLEY. Around what office?

Mr. ZWILLMAN. My office.

Mr. HALLEY. The cigarette vending machine place?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. What fellow was that?

Mr. ZWILLMAN. Joe Rosenbaum used to call him, may he rest in peace, he used to call him often, and somebody else around there used to call him.

Mr. HALLEY. Who do you think might have called him from your home?

Mr. ZWILLMAN. From my home?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. It could be me.

Mr. HALLEY. What would you perhaps could have called the Governor about?

Mr. ZWILLMAN. Nothing illegal, I am sure. Maybe something about social security. If you tell me about what period, I can tell you.

Mr. HALLEY. Tell me, can you think of anything legal you might have called Nig Rosen about?

Mr. ZWILLMAN. Who?

Mr. HALLEY. Nig Rosen. You know Harry Stromberg?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. What do you think you called him about or he called you about?

Mr. ZWILLMAN. I don't recall what he would be calling me about. I know him, though.

Mr. HALLEY. What business is he in besides the dress business?

Mr. ZWILLMAN. I don't know. I know him to be in the dress business.

Mr. HALLEY. He was in the gambling business, was he not?

Mr. ZWILLMAN. That was a rumor, but he never told me.

Mr. HALLEY. It is a pretty reliable rumor, isn't it?

Mr. ZWILLMAN. You are in a better position to know than me, Mr. Halley.

Mr. HALLEY. Before you leave, do you want to tell the committee about your political contributions?

Mr. ZWILLMAN. I decline to answer that, sir.

Mr. HALLEY. Will you tell the committee whether in the last 3 years you made any political contributions?

Mr. ZWILLMAN. In the last 3 years?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. Ask me where, and I might be able to answer that.

Mr. HALLEY. No; I would like to know if you recall having made any.

Mr. ZWILLMAN. I have not made anything of any substance anyhow.

Mr. HALLEY. Well, if they were not of substance, the committee is still interested.

Do you recall having made any contributions in the last 3 years?

Mr. ZWILLMAN. I don't recall making any.

Mr. HALLEY. Now, prior to 3 years ago did you make any contribution of over \$100 at any time to anyone?

Mr. ZWILLMAN. I don't recall that.

Mr. HALLEY. Did you ever make any contribution of over a thousand dollars to anyone?

Mr. ZWILLMAN. Not to my recollection.

Mr. HALLEY. You did not?

Mr. ZWILLMAN. I don't think so.

Mr. HALLEY. Did you ever contribute to any gubernatorial campaign in the State of New Jersey?

Mr. ZWILLMAN. I am quite sure I did not.

Mr. HALLEY. Did you ever contribute to the campaign of any municipal officer of the city of Newark?

Mr. ZWILLMAN. Maybe \$200 or \$100.

Mr. HALLEY. To whom did you contribute?

Mr. ZWILLMAN. People would come in that worked for certain candidates, and they asked for \$50 or \$100, and I give it to them.

Mr. HALLEY. Did you belong to any political club?

Mr. ZWILLMAN. Me?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. I had the biggest political club in Newark.

Mr. HALLEY. What was that?

Mr. ZWILLMAN. The Third Ward Political Club.

Mr. HALLEY. Through that club didn't you solicit contributions?

Mr. ZWILLMAN. I am going back from 1928 to 1935, Mr. Halley.

Mr. HALLEY. Fine.

Mr. ZWILLMAN. I had that club for maybe 7, 8, or 10 years.

Mr. HALLEY. During that period didn't you solicit contributions?

Mr. ZWILLMAN. In those days I solicited from others.

Mr. HALLEY. From others?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. Did you make any?

Mr. ZWILLMAN. In that period between 1928 and 1935?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. I probably would spend it on somebody.

Mr. HALLEY. In those days you were in the rum-running business?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. And why did you go into the political business at the same time? What was the connection?

Mr. ZWILLMAN. Well, I had a club, and I was living out in my old neighborhood, which is the Ghetto, a very poor neighborhood, and everybody needed help, everybody needed jobs, and we were making a little money, so we started a club and got everybody into it.

Mr. HALLEY. Was it a political club or a social club?

Mr. ZWILLMAN. It more or less started off as a charitable thing, and then wound up in a political club.

Mr. HALLEY. What kind of a political club was it, with what party was it affiliated?

Mr. ZWILLMAN. Nonsectarian—no, I don't mean that—it was non-partisan.

Mr. HALLEY. You mean you supported both parties?

Mr. ZWILLMAN. Yes.

Mr. HALLEY. What did you call your club?

Mr. ZWILLMAN. The Third Ward Political Club.

Mr. HALLEY. And you supported candidates for both parties?

Mr. ZWILLMAN. Well, anybody that came along.

Mr. HALLEY. What was the purpose of supporting anyone who came along when you were there?

Mr. ZWILLMAN. There was really not much purpose; in those days I didn't know enough to get any good out of it.

Mr. HALLEY. Have you gotten any good out of it since?

Mr. ZWILLMAN. Very little.

Mr. HALLEY. What officers of the city of Newark do you know today?

Mr. ZWILLMAN. I will tell you something, Mr. Halley, if I may take a minute, so what I say now is not going to hurt somebody for nothing.

I am 47 years old, and I have been born and raised in that city, and I have never left it. It is a small city. After 47 years you get to know pretty near everybody in the city, in all walks of life.

So I don't think it would be fair to let anybody get hurt who might know me, because of this stuff that is going on.

Mr. HALLEY. Well, would you say that you know a great many officers of both Newark and Jersey City?

Mr. ZWILLMAN. I know thousands of people in Newark, and I know very few in Jersey City.

Mr. HALLEY. Including many of the officials, would that be right, that you know?

Mr. ZWILLMAN. In Newark?

Mr. HALLEY. Yes.

Mr. ZWILLMAN. If it is a case of knowing them to say "Hello" to, I know everybody.

Mr. HALLEY. You know some of them better than to say hello to, don't you?

Mr. ZWILLMAN. I would say so, I know some of them a little better.

Mr. HALLEY. Have you ever solicited any campaign contributions for any of these officials since 1935?

Mr. ZWILLMAN. Not that I can recall.

Mr. HALLEY. I have no further questions, Mr. Chairman.

The CHAIRMAN. Senator Tobey, do you have some questions?

Senator TOBEY. May I have a glass of water, please?

The CHAIRMAN. Let us have order. All right, Senator Tobey.

Senator TOBEY. Mr. Witness, if I may.

Mr. ZWILLMAN. Yes, sir; yes, Senator—excuse me.

Senator TOBEY. That is all right. Who were the owners of the Public Service Cigarette Vending Co. before you took over?

Mr. ZWILLMAN. Mr. Lascari, Mr. Stacher, and Mr. Catena had half each, and then I bought the half from Mr. Catena and Mr. Stacher.

Senator TOBEY. Was there a Mr. Al Lillias in it?

Mr. ZWILLMAN. That is before my time in the company.

Senator TOBEY. You don't remember that?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. How did you acquire the company? Did you draw your check for your interest in it?

Mr. ZWILLMAN. These boys had half, with Mr. Lascari, and then I bought the half from them. I gave them money for it.

Senator TOBEY. Well, isn't it a fact that you looked upon that business with longing eyes, and pleasant anticipations, and you wanted a cut in the business from the other owners, and when this was refused, shortly thereafter hoodlums invaded the premises of the above organ-

ization during the dead of night, and tore up machinery and destroyed the delivery trucks to the extent that you, Abner Zwillman, and your associates, took over the Public Service Vending Co.?

Mr. ZWILLMAN. That is not true.

Senator TOBEY. You are swearing that?

Mr. ZWILLMAN. It is not true, so far as I am concerned.

Senator TOBEY. Is it true of any of your associates?

Mr. ZWILLMAN. Not that I—I don't think so; I am quite sure it is not. When they bought that business there wasn't enough machines there for anybody to make a week's pay on it.

Senator TOBEY. Well, Lascari and you went in together at the same time?

Mr. ZWILLMAN. No, sir, Senator.

Senator TOBEY. He was there before?

Mr. ZWILLMAN. He was in before with Catena and Stacher, and then I bought those two men out.

Senator TOBEY. I see. The next question, sir, is, Did "Lucky" Luciano advise with you about the desirability of buying this business out?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Did you talk it over with him?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Do you know Jakey Bright?

Mr. ZWILLMAN. I think he is in business.

Senator TOBEY. Do you know him?

Mr. ZWILLMAN. Yes, sir.

Senator TOBEY. How well do you know him?

Mr. ZWILLMAN. I have known him a long time, and I cannot say that I know him well.

Senator TOBEY. Are you friends?

Mr. ZWILLMAN. I would not say so.

Senator TOBEY. Are you enemies?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Is it true that you have been known in New Jersey for a long time as the Al Capone of New Jersey?

Mr. ZWILLMAN. Well, I will tell you——

Senator TOBEY. You need not be modest about that.

Mr. ZWILLMAN (laughing). That is a myth that has been developing, Mr. Senator, for a good many years, and during the time when I should have had sense enough to stop it, or get up and get out of the State, I did not have sense enough, and until the point where it blossomed and bloomed until here today I am here, and in my opinion I don't belong here today, but I am here. I am not that, I don't intend to be, I never strived to be, and I am trying to make a living for my family and myself.

But those rumors go around. They accuse me of owning places. I walk into a restaurant and I own the restaurant. I walk into a hotel and I own the hotel. I take a shine twice, and I own the bootblack, too.

Senator TOBEY. Well, those are the penalties of greatness.

Now, about Jerry Catena, whose name has been mentioned here, isn't he your principal front man in many things?

Mr. ZWILLMAN. No, sir.

Senator TOBEY.. Do you own the J. & J. Wholesale Liquor Co. in Newark?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Have you an interest in it?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Have you ever had?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Do you and Costello own a tobacco company together?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Has he any interest in any of your business ventures?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Did you put \$50,000 into Mayor Kenney's campaign, or a great sum of money?

Mr. ZWILLMAN. Not 50,000 cents. That is another fantasy.

Senator TOBEY. All we are seeking here is the truth, you understand.

Mr. ZWILLMAN. Mr. Senator, that is another fantasy, and whoever gave it to you ought to—I never gave him 50 cents.

Senator TOBEY. What business relations have you had with Frank Costello since you become acquainted with him?

Mr. ZWILLMAN. I don't think I have had any, that I can recall.

Senator TOBEY. Do you know Virginia Hill?

Mr. ZWILLMAN. Well, truthfully, until she told me on the television that she met me, I didn't even know I knew her.

I would like to qualify one thing, Senator, on the subject, that the gentleman who introduced her to me, according to her, is a fellow who sells ties and jewelry, in the case of Swifty Morgan, and the name sounded like something important.

If what she says is true, I don't recall the incident. He is the one who introduced her to me once on the sidewalk in Florida. Well, if you call that knowing somebody, O. K., although she looks too hard-looking to know.

My wife is listening in, too.

The CHAIRMAN. Let us get on.

Senator TOBEY. Were you engaged with Frank Costello in bringing liquor into the United States during the prohibition period?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. You know he brought liquor in?

Mr. ZWILLMAN. There are all kinds of rumors.

Senator TOBEY. You heard him testify.

Mr. ZWILLMAN. I did not hear his testimony.

Senator TOBEY. Did you bring liquor in from Canada during the prohibition period?

Mr. ZWILLMAN. I decline to answer on the ground that it might incriminate me.

Senator TOBEY. Are you interested in that proposed fourth race track in New Jersey?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. You have no interest or made no move toward it?

Mr. ZWILLMAN. No, sir.

Senator TOBEY. Are you conscious of the fact that Mayor O'Dwyer or Ambassador O'Dwyer went on the stand the other day under oath and named you as one of the six top criminals in New York?

Mr. ZWILLMAN. Yes, sir.

Senator TOBEY. Is that true?

Mr. ZWILLMAN. No, sir; not now or ever was.

Senator TOBEY. Then you kind of question his judgment; is that it?

Mr. ZWILLMAN. Well, he was a good prosecutor; and if that was the case, why didn't he take me in at that particular time—he was ready to hang everybody, and he became mayor; why didn't he take me in?

Senator TOBEY. Are you a part owner of the Browne Vintners, wholesale distributors of liquor?

Mr. ZWILLMAN. I refuse to answer—Browne Vintners today?

Senator TOBEY. In the past.

Mr. ZWILLMAN. I refuse to answer that.

Senator TOBEY. Do you know Joe Reinfeld?

Mr. ZWILLMAN. Yes.

Senator TOBEY. Do you know Nig Rutkin?

Mr. ZWILLMAN. Yes, sir.

Senator TOBEY. Nig Rutkin was convicted of evading income tax, holding up Reinfeld for a quarter of a million dollars.

Mr. ZWILLMAN. That is what they say.

Senator TOBEY. Was Browne Vintners sold to Distillers Co., Ltd.?

Mr. ZWILLMAN. I believe so.

Senator TOBEY. Owned by the Bronfman brothers?

Mr. ZWILLMAN. I believe so.

Senator TOBEY. Three notorious bootleggers?

Mr. ZWILLMAN. Well, they are pretty successful, if that is what they are; I was never that good.

Senator TOBEY. Did you ever use the Bronfman brothers to bring liquor in from Canada?

Mr. ZWILLMAN. I decline to answer on the ground it may tend to incriminate me.

Senator TOBEY. Do you know Joseph Lentz?

Mr. ZWILLMAN. Yes, sir.

Senator TOBEY. How well do you know him?

Mr. ZWILLMAN. Fairly well.

Senator TOBEY. What is his business?

Mr. ZWILLMAN. Real estate.

Senator TOBEY. And Sam Levin?

Mr. ZWILLMAN. Sam Levin?

Senator TOBEY. Yes; L-e-v-i-n.

Mr. ZWILLMAN. Is that Mr. Reinfeld's son-in-law?

Senator TOBEY. I don't know.

Mr. ZWILLMAN. The name does not strike me, Mr. Senator.

Senator TOBEY. Do you know Joseph Newman?

Mr. ZWILLMAN. I believe I might have met him; I am not sure.

Senator TOBEY. Did he ever act as an agent for you or a front man in any transactions?

Mr. ZWILLMAN. Not to my knowledge.

Senator TOBEY. Well, you would know if he had; wouldn't you?

Mr. ZWILLMAN. If I myself retained him?

Senator TOBEY. Yes.

Mr. ZWILLMAN. I did not.

Senator TOBEY. Is he a lawyer?

Mr. ZWILLMAN. I would not know, sir.

Senator TOBEY. I see.

Mr. Chairman, that is all the questions I care to ask the distinguished gentleman.

The CHAIRMAN. All right.

Senator WILEY, do you have some questions?

Senator WILEY. I think it has been pretty well covered, Mr. Chairman, but I just want to ask one or two questions.

Did I understand from your testimony that since prohibition days you claim you have gone legitimate in your business?

Mr. ZWILLMAN. From that period of 1935 or 1936 up, I have been trying, Mr. Senator.

Senator WILEY. What has been your business?

Mr. ZWILLMAN. I beg your pardon, sir?

Senator WILEY. What has been your business? First you tell us yeast, and then brewing beer. Now what is it?

Mr. ZWILLMAN. Well, the cigarette business, washing-machine business, trucking. I am trying—trying hard.

Senator WILEY. And during that period do you feel that you have not violated any of the laws of the land?

Mr. ZWILLMAN. I have tried very hard not to, Mr. Senator, only by this here, you cannot tell when you are in business with an associate. I am not breaking the law insofar as gambling, narcotics, wire service, or anything of that nature; absolutely not.

Senator WILEY. Well, there seems to be some doubt that there may be other fields that you are violating the law in.

Mr. ZWILLMAN. What I meant to say is, I thought you were probably trying to find out if I am in a legitimate business. And why I don't answer the questions on the taxes if I am. And I have been told that if I am in business, and my partner is stealing \$20 unbeknown to me, I am liable for it, too.

Senator WILEY. Do you have any objection to telling us the net worth of yourself?

Mr. ZWILLMAN. I will have to decline to answer that.

Senator WILEY. Do you have any objection to telling us the net worth of your wife and children?

Mr. ZWILLMAN. I will have to decline to answer that, sir.

Senator WILEY. And is that due to the fact that you had not been able to effectuate a compromise on some taxes?

Mr. ZWILLMAN. I have been trying, sir.

Senator WILEY. Is it your position that since you have gone legitimate you have made correct tax returns?

Mr. ZWILLMAN. Yes, sir—Well, I think I have.

Senator WILEY. Well, let's get that clear. Do you mean that you had no intention of beating the Government?

Mr. ZWILLMAN. Excuse me, sir, while I consult with counsel. (Witness confers with counsel.) I will have to decline to answer that, although—I will have to decline to answer that.

Senator WILEY. I think you were asked about political contributions. Have you made any gifts to any police officials or politicians of any character during the time you were running a legitimate business?

Mr. ZWILLMAN. If there was any, it would be right on the books. Tickets, ads, you got a lot of that in the business, Mr. Senator.

Senator WILEY. Testimony was, I think, presented before this committee that gambling operations were conducted across interstate lines. For example, individuals were brought in limousines from New York

to the gambling establishments in Lodi, N. J. Are you familiar with that?

Mr. ZWILLMAN. From what I heard and what I read in papers, sir, but I had nothing to do with it.

Senator WILEY. Have you any interest whatever in any gambling establishments?

Mr. ZWILLMAN. I am under oath and I am saying "No."

Senator WILEY. What?

Mr. ZWILLMAN. I am under oath and I am saying "No."

Senator WILEY. Have you had any?

Mr. ZWILLMAN. In 20 years?

Senator WILEY. Yes.

Mr. ZWILLMAN. No.

Senator WILEY. Do you know of your own knowledge there are four gambling syndicates operating in our country today?

Mr. ZWILLMAN. Well, you hear all kinds of rumors, but the only thing I know, in the county where I live you can't even place a \$2 bet for the last 15 years, maybe 20 years.

Senator WILEY. How do you place your bets?

Mr. ZWILLMAN. Call the next county. [Laughter.]

Senator WILEY. Who controls there?

Mr. ZWILLMAN. Is that interstate, Mr. Senator?

Senator WILEY. That is good.

Mr. ZWILLMAN. I have no idea. Just the bookmakers all over. I don't bet often. Sometimes a fellow comes in, he is going to the track, I give him a few dollars, he bets it for you. We have races in New Jersey, as you know, and we go down there a little bit.

Senator WILEY. How old are your children?

Mr. ZWILLMAN. The boy is going to be 17 and the girl is going to be 8.

Senator WILEY. What are you raising them to be?

Mr. ZWILLMAN. They will never be like this.

Senator WILEY. Why?

Mr. ZWILLMAN. If there be bootlegging tomorrow, they won't be in it.

Senator WILEY. Why do you say that? Let's get that. Why?

Mr. ZWILLMAN. Because I am paying for it now.

Senator WILEY. It doesn't pay?

Mr. ZWILLMAN. No.

Senator WILEY. It takes too much out of you?

Mr. ZWILLMAN. I wouldn't do it again for \$10,000,000.

Senator WILEY. \$10,000,000. What you mean is that crime doesn't pay; is that right?

(Mr. Zwillman holds up his right hand.)

Senator WILEY. Have you come to that conclusion so that since you have gone legitimate you haven't in the slightest degree violated the laws of the State and the land?

Mr. ZWILLMAN. In my opinion, I haven't, Mr. Senator.

Senator WILEY. Thank you.

The CHAIRMAN. Mr. Zwillman.

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. Were you friendly with Walter Van Riper, the attorney general of your county?

Mr. ZWILLMAN. No. I know him like I know a thousand other people in the county.

The CHAIRMAN. Were you active in supporting his appointment as attorney general?

Mr. ZWILLMAN. No, sir. Between you and me, Mr. Senator, if I support somebody they, of course, lose. So if he had my blessing, he wouldn't be attorney general.

The CHAIRMAN. Well, but you have been very influential in politics. You admitted that yourself, I believe.

Mr. ZWILLMAN. I hope I made that position clear, Mr. Senator. It's a small town—400,000 people in the whole town. Three or four places where everybody congregates.

The CHAIRMAN. Mr. Handler, is he the corporation counsel in your—

Mh. ZWILLMAN. Yes, sir.

The CHAIRMAN. Doesn't he also represent you?

Mr. ZWILLMAN. I think he represented me in that truck thing—I don't recall—and I think when I bought my house he represented me.

The CHAIRMAN. He is your New Jersey attorney, isn't he?

Mr. ZWILLMAN. No, sir.

The CHAIRMAN. Anyway, in your Greater GM Truck Sales Co. and parts company he is your attorney?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. Now, you told about the yeast business and also about the beer-tap business, and the Public Service Tobacco Co. business. That is a pretty substantial business, isn't it?

Mr. ZWILLMAN. Public Service?

The CHAIRMAN. Yes.

Mr. ZWILLMAN. Fairly substantial.

The CHAIRMAN. Well, you have all kinds of tobacco-vending machines, also drink machines?

Mr. ZWILLMAN. No; just cigarettes, Mr. Senator.

The CHAIRMAN. Just cigarettes?

Mr. ZWILLMAN. I might qualify that, too, which when I spoke to one of your investigators, he was a little curious as to how far a fellow like myself would go in monopolizing the business. There are over 100 cigarette-vending operators in the State of New Jersey. I am far from being the biggest. There is altogether about \$6,000 a year or thereabouts paid by the whole State for an organization and a secretary. That is the only assessment for the whole 100 jobbers—about \$6,000 a year.

Senator WILEY. How many machines have you got?

Mr. ZWILLMAN. I have about 1,000, Mr. Senator.

Senator WILEY. What is the average receipt a year off of one?

Mr. ZWILLMAN. Beg your pardon?

Senator WILEY. What is the average receipts off of one in a year?

Mr. ZWILLMAN. Receipts?

Senator WILEY. Yes. Let's put it profit.

Mr. ZWILLMAN. Excuse me, sir. (Confers with counsel.)

Mr. SHILENSKY. I don't think the Senator has in mind anything but the general question as to what a machine produces rather than his particular income.

Senator WILEY. That is all right; answer it that way if you want to. I suppose the average—I want to know—

Mr. ZWILLMAN. I sell about 650,000 packs a month.

The CHAIRMAN. All your machines sell about 650,000 packs a month?

Mr. ZWILLMAN. All told; yes, sir.

The CHAIRMAN. All of your 1,100 machines?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. What does a machine cost?

Mr. ZWILLMAN. They must average today about \$175, or \$200. We used to buy them for \$69.

Senator TOBEX. What is the profit a package you make?

Mr. ZWILLMAN. Well, it varies, Mr. Senator. For instance one time we were getting 18 cents for them, and the State put in a 3-cent tax, and we didn't want to go into the penny thing, so we sold them for 20 cents.

So we lost a full gross penny. So at that particular point, we were making very little money. And now they went up about a cent, and we raised it 3 cents, so we overcome that cent. We must make about a penny and a half.

Senator TOBEX. A penny and a half?

Mr. ZWILLMAN. Yes.

The CHAIRMAN. You also have an interest in a washing-machine business in which you have units in apartment houses in northern New Jersey; is that correct?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. That is a very substantial business too, isn't it?

Mr. ZWILLMAN. We have been working at it 5 years, Mr. Senator.

The CHAIRMAN. Do you have contracts with large insurance companies on their apartment projects where you have—

Mr. ZWILLMAN. It's a compliment to me—large insurance companies?

The CHAIRMAN. You have concessions in them, don't you?

Mr. ZWILLMAN. I don't know. I do know this—

The CHAIRMAN. How many units do you have in that company?

Mr. ZWILLMAN. Don't hold me to this, but I would say about six or seven hundred.

The CHAIRMAN. Then you have the Diamond T Parsons Service Co., in which you service and repair auto equipment, do you not? Is that correct?

Mr. ZWILLMAN. Yes, sir; that is now all GMC.

The CHAIRMAN. Yes. Then you have A. & S. Trading Co.?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. What is that business—buying and selling auto equipment and used machinery?

Mr. ZWILLMAN. Used machinery. As a matter of fact, it has a broad charter, and it is buying everything, and I wanted to use that company to absorb the trucking ventures.

The CHAIRMAN. The washing-machine company is the Federal Automatic; is that correct?

Mr. ZWILLMAN. Yes, sir. I might qualify that so nobody thinks I am getting too rich. That is 5 years' work on that Federal thing. It has lost money I think for 4 years.

The CHAIRMAN. Then you have the E. & S. Trading Co., in which you trade scrap iron and things of that sort?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. So altogether you have about eight or nine active corporations at the present time?

Mr. ZWILLMAN. That is right.

The CHAIRMAN. Well, I mean you have an interest in them—an active interest?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. What was Browne & Vintners, Mr. Zwillman?

Mr. ZWILLMAN. I would like to tell you, Mr. Senator, but I must decline. I mean its really on account of this tax thing I just can't talk about it. I don't want to be disrespectful.

The CHAIRMAN. Well, now Rutkin was accused of shaking down or taking away \$250,000 from Reinfeld, wasn't he, and tried for that some time back?

Mr. ZWILLMAN. Yes, sir.

The CHAIRMAN. As part of the same transaction you got \$358,000, didn't you?

(The witness confers with counsel.)

The CHAIRMAN. Which you claim was a return of capital or money that had been stolen from you in years past.

Mr. ZWILLMAN. Well, Mr. Senator, I would say a mistake.

The CHAIRMAN. How did you get the \$358,000?

Mr. ZWILLMAN. Well, if I say that, do I waive my position on those other exceptions I took, Mr. Halley?

The CHAIRMAN. Well——

Mr. ZWILLMAN. I am quite sure you don't want to lead me—the committee has been very fair.

The CHAIRMAN. That was the only question I was going to ask you about what you got, but, of course, other Senators and counsel may have some other questions to ask.

Mr. ZWILLMAN. I am sorry, Senator, I would like to answer that, but if I am going to lose my position on the other exceptions——

The CHAIRMAN. Well, did you have an interest—what was the Bronfman distillery in Montreal, Canada? Did you have an interest in that distillery along with Reinfeld and Rutkin?

Mr. ZWILLMAN. Since repeal?

The CHAIRMAN. No; back before repeal.

Mr. ZWILLMAN. Maybe they did; not me.

The CHAIRMAN. You didn't have an interest along with them?

Mr. ZWILLMAN. I don't think so.

The CHAIRMAN. If you had an interest in Browne & Vintners, who did you sell out to?

Mr. ZWILLMAN. As I understood it, Mr. Bronfman bought Browne-Vintners.

The CHAIRMAN. When was this transaction about the \$250,000 and the \$358,000, if that was the amount involved? Was that in 1942 or 1943?

Mr. ZWILLMAN. About 1942 or 1943.

The CHAIRMAN. Is that about the time you sold out, or had you sold out sometime prior to that?

Mr. ZWILLMAN. They sold out, I think, in about 1940.

The CHAIRMAN. Aren't you now involved in litigation about this matter with Mr. Rutkin or Mr. Reinfeld? Isn't a suit now pending in which you are at least a party to the suit?

Mr. ZWILLMAN. No, sir, Mr. Senator. Mr. Rutkin is suing Reinfeld.

The CHAIRMAN. Mr. Rutkin is suing Reinfeld?

Mr. ZWILLMAN. I am on the outside for once.

The CHAIRMAN. I thought you were at least brought in as a nominal party.

Mr. ZWILLMAN. No, sir; this is one time I am outside the door.

The CHAIRMAN. But Rutkin's theory is that the \$250,000 he got didn't nearly compensate him for what Reinfeld is alleged to have stolen from him or out of the business; is that correct?

Mr. ZWILLMAN. That was his allegation.

The CHAIRMAN. Did you get paid off fully? I mean you have no claim about any amount owing you?

Mr. ZWILLMAN. I am contented.

The CHAIRMAN. You settled for the 5-5-8 or whatever the amount was?

Mr. ZWILLMAN. Will you waive the rest for me, and I will gladly answer that.

The CHAIRMAN. I said I didn't expect to ask you any more about the 3-5-8—

Mr. ZWILLMAN. Excuse me. You have been very decent, Mr. Senator, and I don't want to seem disrespectful, but I don't like to weaken my—

The CHAIRMAN. I shall ask you if you got \$358,000 from Reinfeld and settled your claim for that. That is the only question I will ask you about it. As to what some other Senator will ask you, I can't say.

Mr. ZWILLMAN. I will have to decline to answer that on the grounds it may—

Senator TOBEY. What did the Bronfman Bros. pay for Browne Vintners, do you know?

Mr. ZWILLMAN. Somewheres around six or seven million dollars, Mr. Senator. Am I speaking loud enough?

Senator TOBEY. Yes, thank you.

The CHAIRMAN. Wel, do you mind telling what interest you might have had in Browne Vintners?

Mr. ZWILLMAN. I am sorry, sir, I can't answer that.

The CHAIRMAN. You won't say anything about your interest in Browne Vintners?

Mr. ZWILLMAN. I am sorry.

The CHAIRMAN. Would you say who anyone else except Rutkin was in Browne Vintners, not talking about yourself?

Mr. ZWILLMAN. I think again I must decline, Mr. Senator.

The CHAIRMAN. All right.

Anything else, Mr. Halley?

Mr. HALLEY. Just one thing. I think you have mentioned that during the prohibition era you did not know Frank Costello.

Mr. ZWILLMAN. I don't recall, Mr. Halley. I may. I thought that I was asked if I pulled any whisky with him and my answer was "No."

Mr. HALLEY. You did not in any event have any business with him?

Mr. ZWILLMAN. I did not pull any whisky with him.

Mr. HALLEY. Did you have any business with Joe Adonis during the prohibition era?

Mr. ZWILLMAN. Nothing of any importance. The only reason, you sometimes can't tell. If you sold an office and you didn't know who the partner was in the office, so he might have been a partner.

Mr. HALLEY. But you had no personal contact of a business nature?

Mr. ZWILLMAN. Not that I can recall.

Mr. HALLEY. Does the same apply to Willie Moretti?

Mr. ZWILLMAN. I haven't seen Willie Moretti—I don't think I have seen him 30 times in my life.

Mr. HALLEY. You have seen Costello more often?

Mr. ZWILLMAN. I don't think I saw him 30 times in my life.

Mr. HALLEY. Well, 30 is not too few.

Mr. ZWILLMAN. Not in 15 or 20 years, Mr. Halley.

Mr. HALLEY. How many times have you seen him in the last 10 years—Costello?

Mr. ZWILLMAN. I don't know. I never went to Hot Springs when he is there, I never go to New Orleans, never go to Florida when he is there. I go to New York 10 times a year.

Mr. HALLEY. Do you see him when you go to New York?

Mr. ZWILLMAN. Not every time; no, sir.

Mr. HALLEY. But sometimes?

Mr. ZWILLMAN. Maybe 1 out of 10.

Mr. HALLEY. Perhaps one out of five?

Mr. ZWILLMAN. No, sir; no, sir.

Mr. HALLEY. One out of ten trips to New York you see Costello?

Mr. ZWILLMAN. Maybe even less sometimes. The only time I will see him, if I got an hour to kill, I might walk into Madison and have a drink in there, see him if he is there, and if he isn't there I don't see him, and I go across the street—

Mr. HALLEY. How well do you know Little Augie Pissano?

Mr. ZWILLMAN. Hardly.

Mr. HALLEY. Jack Friedlander?

Mr. ZWILLMAN. Yes, sir; from Newark.

Mr. HALLEY. How long have you known him?

Mr. ZWILLMAN. I will have to admit my age if I tell you how long I know him.

Mr. HALLEY. You told us you are 47, so it is all right.

Mr. ZWILLMAN. Probably the whole 47 if he has been around that long. I know him since he has been a kid.

Mr. HALLEY. Did you ever meet any of the Fischettis from Chicago?

Mr. ZWILLMAN. I think maybe I met one, maybe two.

Mr. HALLEY. Charley?

Mr. ZWILLMAN. I think I met Charley one time in some cabaret in Chicago.

Mr. HALLEY. Rocco?

Mr. ZWILLMAN. I think maybe I met him, too.

Mr. HALLEY. Did you know Tony Accardo from Chicago?

Mr. ZWILLMAN. No, sir.

Mr. HALLEY. When did you first meet Catena?

Mr. ZWILLMAN. Oh, I have known him for a long time, a long time.

Mr. HALLEY. Have you developed your friendship with these people since you went into legitimate business, or are they good old friends from prohibition days?

Mr. ZWILLMAN. No; I know most—

Mr. HALLEY. Let's take Costello and Luciano, for instance.

Mr. ZWILLMAN. I know most of those fellows from before.

Mr. HALLEY. Before when?

Mr. ZWILLMAN. Before repeal.

Mr. HALLEY. You mean you were brought up with them?

Mr. ZWILLMAN. Sort of got into a circle, not a good era, Mr. Halley. I don't have to tell you. It was just the thing to do. That is all. You didn't know no better.

Mr. HALLEY. In other words, the circle you were in at that time was the circle with the big racketeers; is that right?

Mr. ZWILLMAN. No. Everybody was in.

Mr. HALLEY. Costello is a big racketeer, isn't he?

Mr. ZWILLMAN. If I got to believe what they say about him in the papers, then people will believe what they say about me, so I am not believing it.

Mr. HALLEY. Let's believe what we show on the record of this committee. Was Costello one of the people in your circle that you got into?

Mr. ZWILLMAN. I knew him like I knew everybody else. You got the speakeasies in those days, and went around, and don't know who you met, whether a minister or a priest——

Mr. HALLEY. The only thing I am trying to get to, and perhaps I can cut it short——

Mr. ZWILLMAN. Yes, sir.

Mr. HALLEY. In the 20 years of your being completely legitimate, have you gotten away from these fellows at all?

Mr. ZWILLMAN. Truthfully, I am traveling by myself. I am not looking to run away from anybody if they are not breaking the law. If they are breaking the law, they could go their way, it is none of my business. I am trying to—I spend my time in the office all day and home at night.

The CHAIRMAN. Anything else, Mr. Halley?

Mr. HALLEY. No.

The CHAIRMAN. That is all, Mr. Zwillman, unless——

Mr. SHILENSKY. Mr. Chairman.

The CHAIRMAN. Unless you want to ask some question. Do it very quickly.

Mr. SHILENSKY. I don't think I want to ask the witness any questions, I think you have covered the field. I am somewhat concerned because I know this committee does not have the power to grant immunity with respect to some of the subjects, any of the subjects which is covered. And it quite definitely appears the witness had in mind one field in which he was fearful of testifying, and I wonder whether we would not be permitted to have a copy of the transcript of the hearing here so that we can review the questions.

Mr. HALLEY. It is an open record. You can, of course, have a copy.

Mr. SHILENSKY. Yes, I know that.

The CHAIRMAN. The reporter will be ordered to deliver a transcript. You will pay for it, I take it?

Mr. SHILENSKY. Yes, sir.

The CHAIRMAN. The only difficulty about that is that we do not have time to debate the matter with you longer.

Mr. SHILENSKY. No, I wasn't——

The CHAIRMAN. Of course, I speak for myself. In the opinion of the chairman, taking the most lenient view about the matter, there can be no—I can see no reason why Mr. Zwillman should not answer questions about what happened in Browne-Vintners, what happened back in the prohibition days. It has been a long time ago.

Mr. SHILENSKY. Well, I think the witness has heard the contention of the Government, not your field of the Government but another field of the Government in which they had made the direct threat.

Now, what I was going to suggest is that we supply, if at all possible, we supply you with the information which your questions call for, but not in such form that the witness has waived his privilege, so that it will not be withheld from the committee.

The CHAIRMAN. You may supply the committee with anything you want by Wednesday morning, but we will make no commitments as to what the results will be.

Mr. SHILENSKY. I am not asking for a commitment. I merely ask for the opportunity to do so.

The CHAIRMAN. Very well. By Wednesday morning, and we will go over it.

Mr. ZWILLMAN. Mr. Tobey, may I —

The CHAIRMAN. Let's have a 10-minute recess, then we will have our next witness.

Mr. ZWILLMAN. Senator, I thank you all, and may I say that some paper said the other day I said the committee was unfair to me, and I didn't say it.

The CHAIRMAN. All right, we appreciate that.

(A 5-minute recess was taken.)

The CHAIRMAN. The committee will come to order.

Morris Kleinman, I believe, is our next witness.

Mr. McMAHON. How do you do, Senator.

The CHAIRMAN. How are you?

Mr. McMAHON. Very well, thank you.

The CHAIRMAN. I am glad to see you again.

Mr. McMAHON. Mr. Corrigan is counsel in this matter, and stepped out for a moment.

The CHAIRMAN. What?

Mr. McMAHON. Mr. Corrigan is counsel in this matter, and stepped out for a moment.

The CHAIRMAN. Are you Mr. Kleinman?

Mr. KLEINMAN. Yes.

The CHAIRMAN. Do you solemnly swear the testimony you will give the committee will be the whole truth, so help you God?

Mr. KLEINMAN. I do.

TESTIMONY OF MORRIS KLEINMAN, CLEVELAND, OHIO, ACCOMPANIED BY WILLIAM J. CORRIGAN AND TIMOTHY McMAHON, ATTORNEYS, CLEVELAND, OHIO

The CHAIRMAN. All right, Mr. Morris Kleinman. And what is your address, Mr. Kleinman?

Mr. KLEINMAN. 17201 Shaker Boulevard.

The CHAIRMAN. Cleveland, Ohio?

Mr. KLEINMAN. Cleveland, Ohio.

The CHAIRMAN. And, counsel, you are Mr. —

Mr. McMAHON. Timothy McMahon.

The CHAIRMAN. Timothy?

Mr. McMAHON. That is right, of Cleveland, Ohio.

Senator WILEY. Not Paul but Timothy?

Mr. McMAHON. Timothy, that is right, Senator.

The CHAIRMAN. Whom did you represent before the committee in Cleveland?

Mr. McMAHON. Mr. Alvin Giesey.

The CHAIRMAN. That is right, Mr. Giesey.

Mr. McMAHON. That is correct.

The CHAIRMAN. Do you have some statement you wish to make, sir?

Mr. McMAHON. With your permission, Senator.

The CHAIRMAN. If you will make it brief.

Mr. McMAHON. Very well. I would first like for the record to enter—

The CHAIRMAN. Sit down. You don't have to stand up.

Mr. McMAHON. I will use these things [indicating microphones].

The CHAIRMAN. All right.

Mr. McMAHON. I would like to enter an objection on behalf of the witness, his objection and exception to the constitutional, legal, and factual basis for the adoption of Senate Resolution No. 65, and the issuance of the warrant thereunder as it pertains to him and under which his appearance is made here tonight.

Now, I have another matter that I would like to develop for the record, if you please, Mr. Chairman. I would like the record to show basically these facts: That to the rear of the witness, at a distance of what I estimate to be about between 15 and 20 feet there appears five high-powered floodlights, which are focused, three of which are focused behind the committee and in the face and on the person of the witness.

I should also like the record to show that in the room there are three television cameras, which are in varying degrees focused upon the members of the committee, counsel, and the witness.

I would like the record also to show that to the left of the witness there are five newsreel cameras which are focused in his general direction.

I should also like the record to show that immediately to the left of the witness, at a distance of about 4 feet, there are two cameramen poised, ready to take a photograph.

The CHAIRMAN. Well, they will take their photographs and get out just as soon as they can.

Mr. McMAHON. One further fact, if you please, Mr. Chairman. I would like the record to show that the approximate distance between the witness and the members of the committee is in the neighborhood of what I would judge to be about 8 to 10 feet.

Now, under these circumstances, may we have a general stipulation that those facts that I have recited are substantially correct?

Senator WILEY. You got one other [indicating a photographer].

The CHAIRMAN. That is your statement about it, Mr. McMahon?

Mr. McMAHON. The court stenographer I am familiar with.

The CHAIRMAN. That is your statement about it. We are not stipulating anything, but you have made your statement. Anything else?

Mr. McMAHON. Yes, sir, if you please, Senator. Under those circumstances I would like the indulgence of the committee for the witness to read a statement on a question which we want to develop at this time.

Mr. NELLIS. Mr. Chairman, may I ask if it is possible for me to proceed with the questioning, after which the witness can make whatever statement he desires?

The CHAIRMAN. Mr. Kleinman, how long is your statement and what is your statement?

Mr. KLEINMAN. Take me about 5 minutes.

The CHAIRMAN. Can't you just tell us what it is and file the statement?

Mr. KLEINMAN. I can read it in about 5 minutes, Senator.

The CHAIRMAN. We don't want to cut you off. We did want to get on and hit the high points and get this hearing over.

Mr. KLEINMAN. I will try to do it as fast as I can.

The CHAIRMAN. All right, then, you read away.

Mr. KLEINMAN. Thank you.

Senator Kefauver, during the hearings in New York City, mentioned the fact that the investigations by this committee has aided the television industry, and I believe that cannot be questioned.

I am not an actor, and have no experience as a public speaker. I do not have any training to appear on TV or talk through a microphone. The members of the committee and their lawyers have appeared on television many times, so that I am at a great disadvantage, much like an amateur appearing with professionals.

The television hearings in New York City were referred to as being bigger than the world series. The New York Times, the World-Telegram, the Journal-American, and some Washington papers reported that in theaters, stores, and other places, business declined because of the television show. Saloons and restaurants were jammed—that in general some businesses suffered and others made immense profits. The television industry in New York reported that the supply of rental sets was exhausted.

These statements were made not only by the New York papers but by papers in various parts of the country that I have been able to secure. In the Cleveland Press Saturday evening, along with a story about me, by cartoon it was suggested that my TV debut might even replace any Kukla, Fran, and Ollie. [Laughter.]

Newspapers are available to all people for from 3 to 5 cents, and in some instances may be secured for nothing. Television is mostly limited to those people who have purchased a set, rented a set, or made some arrangement to see another person's set.

The CHAIRMAN. Well, Mr. Kleinman, may I interrupt there. If you want to object to television, we will give you the same opportunity we gave Mr. Carroll the other day.

Mr. KLEINMAN. I can finish this in 2 minutes, now Senator.

The CHAIRMAN. Well, if you just want to make a speech—if it is television you are objecting to—

Mr. KLEINMAN. I would just like to finish this.

The CHAIRMAN. All right; go ahead.

Mr. KLEINMAN. The statements made by me before the committee, or what else is said, if they are reported in the newspapers are available to me when I leave here. I can, when in my opinion, an error has been made, demand a retraction, and in the event that I believe that I have been libeled I can sue the newspapers in the civil courts for damages.

Such protection of my rights is not available to me when I am subjected to this hearing. It will be impossible for me to check what is happening on television and radio, what parts of the proceedings are given, and what comments are being made during the time I am appearing here. I will be subjected to glaring lights which are very disturbing. My manner of sitting, of talking, using my hands, the clothes I wear, may all be the subject of movies and unfavorable comment, and may be used against me. My voice, which is not trained, may make an unfavorable impression, and my entire appearance, as given, or compared to others, may be distorted.

It is a known fact that people who are not accustomed to making public appearances, or speaking in public, are made nervous by even a small audience, even in quiet surroundings. Such nervousness, which may affect their answers, will be greatly increased for me if I have to appear on television or radio, and in front of the committee and their lawyers of great skill, who I have no reason to believe are friendly to me. I would be conscious of the fact that several million people are getting a close-up view of me, or my questioners, and listening to our voices.

From my own observation I know that a person testifying before this committee is made to appear in newsreels no matter what his desires are. These newsreel films I have seen shown on television. Various comments will be made about my personal appearance by the employees of the television stations, my way of answering, and anything else they can think of which will be of interest to their audience. I know that during intermissions, the same employees of these companies circulate through the audience and pick up comments from the spectators. Under these circumstances a witness becomes part of a show. His actions, personal appearance, his manner of talking, or not talking, are passed upon in the same manner that a dramatic critic reports a performance of an actor on Broadway, but with more serious consequences to the witness.

To illustrate—in recent New York City hearings it was reported that former Mayor O'Dwyer gave a forceful and embattled performance—that Costello was a beaten man—that another man was a comedian, and so on.

Well, I feel this way: If the television industry wants me to aid in boosting the sale of TV sets, and the sponsors, saloons, and restaurants want my aid in boosting their business, I am entitled to be consulted just the same as any other American amusement enterprise.

I might say, "What is going on when I am brought in for cross-examination to be a performer for the TV and radio industries, the beer, automobile, cigarette, and cosmetic industries which use TV and radio to boost their sales and profits?"

I do not know to what extent this question had been raised before the committee, but I am stating now that I believe that such procedure is a violation of my constitutional rights, and before I have anything further to say, I wish to respectfully inform the Senate committee that I will not, in danger to my rights, perform to aid the TV industry, the radio industry and the newsreels, and I will proceed no further until this apparatus is shut off and removed.

The CHAIRMAN. Well, Mr. Kleinman, if we had been able to find you in Cleveland, where we tried very hard to get you in, you wouldn't have had this difficulty, because that hearing, I don't think, was televised.

All right, now, picture gentlemen of the press, photographers, if you will retire.

But not being able to, why, you are here. We will give you the same rights that we have given other witnesses. If you don't want to be televised, we will have the television, ask them for their cooperation in giving you the same benefits as Mr. Carroll and Mr. Costello.

Mr. KLEINMAN. If you ask me what I think, if television is shut off me, but not all others, and the other apparatus on, I can only say that I still believe my constitutional rights are being violated.

The CHAIRMAN. Very well.

Mr. KLEINMAN. My position remains the same. I realize I am here before the committee under warrant, and I have stated my opinion and my position.

The CHAIRMAN. Your position has been stated, and you want us to ask or suggest that the television lights be turned off of you; that you not be televised?

Mr. KLEINMAN. I want everything off.

Senator TOBEY. Not everything.

The CHAIRMAN. Mr. Nellis, will you proceed, please?

Mr. McMAHON. Senator, before we begin.

The CHAIRMAN. We have had enough, I believe. What is your other point, Mr. McMahon?

Mr. McMAHON. The only thing I have further, Senator, is that I would like to incorporate in the record the statement of Mr. Kleinman as it was read, together with certain newspaper articles which substantiate——

The CHAIRMAN. They will be made exhibits. His statement is already in the record.

Mr. McMAHON. I may proffer these to the stenographer?

The CHAIRMAN. That is right.

Mr. McMAHON. Very well, sir.

(The documents referred to will be found in the files of the committee identified as exhibit No. 46.)

The CHAIRMAN. All right, Mr. Nellis, will you ask the witness?

Mr. NELLIS. What is your name and address, Mr. Kleinman?

Mr. KLEINMAN. I am going to stand on the statement I just gave, Senator.

The CHAIRMAN. Well, you refuse to answer?

Mr. KLEINMAN. I am going to stand on the statement I just read.

The CHAIRMAN. The question is: Do you refuse to answer your name and address?

Mr. KLEINMAN. I think I gave you my name and address, Senator.

Mr. NELLIS. That is right.

The CHAIRMAN. All right, he gave us the name and address.

Mr. NELLIS. Before we get to your testimony, can you tell us why the committee has found it impossible to serve you with a subpoena for 3½ months?

Mr. KLEINMAN. I am letting the statement speak for myself.

Mr. NELLIS. Mr. Chairman, I request the witness be directed to answer the question why the committee has found it impossible to serve a subpoena on him for 3½ months.

The CHAIRMAN. All right; that is a legitimate question, Mr. Kleinman, you will be directed to answer. I may say at this point that Mr. Rash, who is handling the television, says that you are not being tele-

vised, whether that does make any difference one way or the other under your statement.

The question is, Why has the committee been unable to find you, to serve a subpoena on you, during the last 2 or 3 months? Will you answer?

Mr. KLEINMAN. I answered in the statement, Senator.

The CHAIRMAN. Do you refuse to answer the question?

Mr. KLEINMAN. I don't know what you call it, but the statement speaks for itself.

The CHAIRMAN. Very well, let the record show that the witness refuses to answer the question. Ask another question, Mr. Nellis.

Mr. NELLIS. I might state, Mr. Chairman, that we made diligent efforts to locate Mr. Kleinman through the efforts of the Cleveland Police Department and various other enforcement agencies, and the newspapers and radio gave wide publicity to the fact that your testimony was sought. Where were you between the dates of December 14, 1950, and March 15, 1951?

The CHAIRMAN. Do you understand the question, sir?

Mr. KLEINMAN. I said the statement was——

The CHAIRMAN. Let the record show——

Senator TOBEY. The statement does not answer that question, Mr. Nellis; does it?

Mr. NELLIS. No, sir.

The CHAIRMAN. The statement does not answer the question, and Mr. Kleinman understands that.

Senator TOBEY. You knew this committee was looking for you for a long time; did you not?

Mr. KLEINMAN. The apparatus is still on, Senator.

Senator TOBEY. The television is not on, sir.

Mr. KLEINMAN. The other newsreels are on; the radio is on; the lights are on.

Senator TOBEY. You sat back there 10 feet behind for an hour and three-quarters. You took the lights then in good part; but, the minute you come on the stand for questioning, then you quail under the lights. You sat right there, and I saw, for an hour and a half, you did not blink once. Then you come in here and put this bluff up to us now. Good Lord, let me say something to you, sir; you evaded this committee for 2 or 3 months. No honest man would do that. He would come arunning and say, "Here I am; nothing hidden." You skulked away somewhere, and you won't tell us where you were, but I am telling you something: The people of this country are outraged at the likes of you, and when we all get through you will come up to the bar of justice. I promise you that. You wait and see. This is "only the beginning," as they say in the Showboat.

The CHAIRMAN. The next question, Mr. Nellis.

Mr. NELLIS. Do you recall that this committee called public hearings in the city of Cleveland, Ohio, on January 17, 1951? Do you recall that? Do you know about that?

The CHAIRMAN. Let the record show that the witness does not answer.

Mr. NELLIS. Do you have any reason that you can now——

The CHAIRMAN. Now, Mr. Kleinman, in order to make the record clear, the committee chairman is directing you to answer these questions. You are being directed to answer these questions.

Mr. KLEINMAN. I do not want you to feel as though I am trying to be——

The CHAIRMAN. All right.

Mr. KLEINMAN. Be a smart Alec or anything.

The CHAIRMAN. It is not a matter of that. I just want you to understand that you are being directed to answer these questions. Let the record show that Senators Tobey and Wiley and the chairman are present. The record shows the witness refuses to answer. Ask the next question.

Mr. NELLIS. Did you have any reason for not wishing to testify before this committee?

Mr. KLEINMAN. [No response.]

The CHAIRMAN. Let the record show the witness refuses to answer and that he has been directed to answer.

Mr. NELLIS. Have you ever been convicted, Mr. Kleinman, of a crime? Will you answer the question?

Mr. KLEINMAN. [No response.]

The CHAIRMAN. Let the record show the witness refuses to answer and you have been directed to answer, Mr. Kleinman.

Mr. NELLIS. Is it not a fact that in 1933 you were indicted and convicted and sent to the penitentiary for 4 years for income-tax evasion and fined \$15,000? Is that a fact? The record so shows, Mr. Chairman.

Mr. KLEINMAN. [No response.]

The CHAIRMAN. Let the record show the witness refuses to answer.

Mr. NELLIS. Now, Mr. Kleinman, did you ever have any interest in a gambling establishment known as the Ohio Villa in Cleveland, Ohio? Let the record show that the witness remains mute.

Mr. KLEINMAN. [No response.]

The CHAIRMAN. The record shows that.

Mr. NELLIS. Is it not a fact that in 1938 you, Dalitz, Tucker, and Al Polizzi had an interest in this club, and that subsequently Mr. Anthony Milano of Cleveland incorporated a country club at the same address? Is that not a fact?

Mr. KLEINMAN. [No response.]

The CHAIRMAN. Let the record show that he does not answer. Let us ask him something else.

Mr. NELLIS. Is it not a fact that in 1940 or thereabouts you had an interest in a place which was a gambling establishment in the city of Cleveland, called the Thomas Club, and that your partners were Harry Potter, John Angersola, Lou Rothkopf, alias Rody, Lester Wilson, and Sam "Game Boy" Miller? Is that not a fact?

Mr. KLEINMAN. [No response.]

The CHAIRMAN. Let the record show that he does not answer. Ask him about his investments in Kentucky, Mr. Nellis.

Mr. NELLIS. I will, Mr. Chairman.

The CHAIRMAN. Let us get to that.

Mr. NELLIS. Have you ever had an interest in an establishment at Covington called the Lookout Club?

Mr. KLEINMAN. [No response.]

The CHAIRMAN. Let the record show that the witness does not answer.

Mr. NELLIS. Is it not a fact that you have had an interest, a partnership, with Louis Rothkopf, Samuel Schraeder, Samuel Miller, Mitch-

ell Meyer, John Croft, Moe Dalitz, Charles Polizzi, and Sam Miller, in the Lookout Club at Covington, Ky.?

Mr. KLEINMAN. [No response.]

The CHAIRMAN. Let the record show that the witness does not answer. Ask him about Sun Valley.

Mr. NELLIS. Is it not a fact that you have had a partnership in Beverly Hills Country Club at Newport, Ky., with the same partners?

Mr. KLEINMAN. [No response.]

The CHAIRMAN. The witness does not answer.

Mr. NELLIS. Is it not a fact that you also have had an interest in a gambling establishment entitled "Portage Amusement Co., in the State of Ohio?"

Mr. KLEINMAN. [No response.]

The CHAIRMAN. The witness does not answer. Ask him about Desert Inn.

Mr. NELLIS. Mr. Chairman, I desire to place in evidence a card received by the committee today which states: "Open Sunday, April 1st, Beverly Hills Country Club, Southgate, Ky., Route 27. This card admits bearer to gaming room."

The CHAIRMAN. Is this a club that you asked him about?

Mr. NELLIS. Just one question previous to this I asked him about this club. You will note that apparently it is going to open the day after this committee is due to expire.

The CHAIRMAN. On Sunday, April 1, the Beverly Tilts—is that Hills or Tilts?

Mr. NELLIS. Hills.

The CHAIRMAN. Hills Country Club, Southgate, Ky., will apparently open. Let this be copied into the record.

Do you have an interest in that club, Mr. Kleinman?

(Mr. Kleinman made no response.)

The CHAIRMAN. The record shows the witness does not answer.

(The card referred to is identified as exhibit No. 47, reads as follows:)

Open Sunday, April 1, Beverly Hills Country Club, Southgate, Ky., Route 27. This card admits bearer to gaming room. This card has been mailed to only privileged customers. Keep it, and do not pass on. If you do not wish to use it, destroy it.

Mr. NELLIS. How did you and your associates, Mr. Kleinman—will you give attention to the question please?—how did you and your associates from Cleveland happen to get into the Desert Inn? Is it not a fact that—

(Mr. Kleinman made no response.)

The CHAIRMAN. Let the record show that he does not answer.

Mr. NELLIS. The witness does not answer. Is it not a fact that your lieutenant, Louis Rothkopf, approached Wilbur Clark and brought you into that deal after Clark had trouble raising the money for this establishment?

(Mr. Kleinman made no response.)

The CHAIRMAN. The record shows he does not answer.

I do not think there is any use of going on with this.

Senator TOBEY. Mr. Chairman—

Mr. NELLIS. I have one further question that I would like to get on the record.

Senator TOBEY. I would like to make a motion.

The CHAIRMAN. Mr. Nellis has one further question.

Mr. NELLIS. Only one question, Mr. Chairman.

Do you know the gentleman who preceded you on the stand, Abner Zwillman?

(Mr. Kleinman made no response.)

Senator TOBEY. I have enough of this opéra bouffe.

The CHAIRMAN. All right.

Mr. NELLIS. No further questions.

Senator TOBEY. I want to make a motion that this man be arrested by the Senate and held in \$25,000 bail and the same treatment given him as given this witness last Saturday.

The CHAIRMAN. The witness will be continued under arrest. He is in the custody of the Sergeant at Arms of the Senate. His bail will be set at \$10,000 as authorized by the resolution and conditioned upon his appearance before this committee next Friday at 10 o'clock in the morning.

Mr. KLEINMAN. Is that this coming Friday, Senator?

The CHAIRMAN. That is this Friday.

Senator TOBEY. I would call that a \$10,000 conversation.

The CHAIRMAN. He can be released on bond. You will be continued under your subpoena, Mr. Kleinman.

Mr. McMAHON. Senator Kefauver, may the record show that during the proceeding in which these questions were asked——

Senator TOBEY. Forget it, for heaven's sake.

Mr. McMAHON. I want the record to show something.

Senator TOBEY. You are an attorney. I know you do. Don't quibble.

Mr. McMAHON. I want to. I am not quibbling.

Senator TOBEY. You certainly are.

The CHAIRMAN. What was the point you wanted to raise?

Mr. McMAHON. I want to direct something to the Chair and that is this: I want the record to show that during these proceedings and the questions, these lights, these movie reels, the television, with the exception of the chairman's statement, that was not focused on that man continued.

The CHAIRMAN. That is your statement about it. You can make any statement you want.

Mr. McMAHON. Very well.

The CHAIRMAN. That is all.

Bring Mr. Rothkopf around.

TESTIMONY OF LOUIS ROTHKOPF, CLEVELAND, OHIO, ACCOMPANIED BY WILLIAM J. CORRIGAN AND TIMOTHY McMAHON, ATTORNEYS, CLEVELAND, OHIO

The CHAIRMAN. Are you Mr. Rothkopf?

Mr. ROTHKOPF. Yes.

The CHAIRMAN. Do you swear the testimony you are about to give this committee will be the truth, so help you God?

Mr. ROTHKOPF. I do.

The CHAIRMAN. Now, Mr. McMahon, I think you have an associate counsel sitting behind you?

Mr. McMAHON. I do. I want to introduce Mr. William J. Corrigan, my partner, Senator.

The CHAIRMAN. Mr. Corrigan is also counsel for Mr. Kleinman; is he not?

Mr. McMAHON. And Mr. Rothkopf.

The CHAIRMAN. Why do you not sit up here, Mr. Corrigan?

Mr. CORRIGAN. I am all right here, Senator.

The CHAIRMAN. You are also from Cleveland, I believe?

Mr. CORRIGAN. Yes. We want to raise this very important question.

The CHAIRMAN. All right, Mr. Corrigan.

Now, Mr. Rothkopf, what is your first name?

Mr. ROTHKOPF. Louis Rothkopf.

The CHAIRMAN. And what is your residence, sir?

Mr. ROTHKOPF. I want to raise this legal question, Senator.

Mr. McMAHON. I might say this—

The CHAIRMAN. He has—

Mr. McMAHON. To expedite time.

The CHAIRMAN. Just a minute, Mr. McMahon. Will you sit down, sir?

Mr. McMAHON. Surely.

The CHAIRMAN. The question before you, Mr. Rothkopf, is what is your address?

Mr. ROTHKOPF. Well, I want to raise this question, Senator.

The CHAIRMAN. Will you answer or will you not answer the question: What is your address?

Mr. ROTHKOPF. Cleveland, Ohio. It is Bainbridge, Senator, about 20 miles out of Cleveland.

The CHAIRMAN. All right.

Mr. ROTHKOPF. This statement, Senator, is going to be much shorter than Mr. Kleinman's.

The CHAIRMAN. He has been sworn; all right.

What is your statement, sir?

Mr. ROTHKOPF. I believe that it is a violation of my constitutional rights to subject me to questioning before television, radio, and news reels, and I must respectfully inform this committee that I cannot go further in this proceeding until all of this apparatus is shut off and removed. I have a written statement giving my reasons for this, and with your permission, I would like to read it.

The CHAIRMAN. Mr. McMahon, is that the same statement?

Mr. McMAHON. Yes; I think that is what I was suggesting.

The CHAIRMAN. Let his statement be considered read.

Mr. McMAHON. Will you incorporate it in the record, sir?

The CHAIRMAN. Mr. McMahon, wait until I finish my statement before you interrupt.

Mr. McMAHON. I am sorry; I did not mean to interrupt.

The CHAIRMAN. Let his statement be considered read and incorporated in the record as though personally read by him. Also, we would consider, Mr. McMahon, that your statement made in connection with Mr. Kleinman has also been made in connection with Mr. Rothkopf.

Mr. McMAHON. As to the physical features of the room?

The CHAIRMAN. Yes; that is your statement.

(The prepared statement of Mr. Louis Rothkopf is as follows:)

Mr. ROTHKOPF. I want to raise a question:

Senator Kefauver, during the hearings in New York City, mentioned the fact that the investigations by this committee has aided the television industry—and I believe that cannot be questioned.

I am not an actor, and have no experience as a public speaker. I do not have any training to appear on TV or talk through the microphone. The members of the committee and their lawyers have appeared on television many times, so that I am at a great disadvantage, much like an amateur appearing with professionals.

The television hearings in New York City were referred to as being bigger than the World Series. The New York Times, the World-Telegram, the Journal-American, and some Washington papers reported that in theaters, stores, and other places, business declined because of the television show. Saloons and restaurants were jammed, that in general some businesses suffered and others made immense profits. The television industry in New York reported that the supply of rental sets was exhausted.

These statements were made not only by the New York papers, but by papers in various parts of the country that I have been able to secure. In the Cleveland Press Saturday evening, along with a story about me, by cartoon it was suggested that my TV debut might even replace Kukla, Fran, and Ollie.

Newspapers are available to all people for from 3 to 5 cents, and in some instances may be secured for nothing. Television is mostly limited to those people who have purchased a set, rented a set, or made some arrangement to see another person's set. The statements made by me before the committee, or what else is said, if they are reported in the newspapers, are available to me when I leave here. I can, when, in my opinion, an error has been made, demand a retraction, and in the event that I believe that I have been libeled I can sue the newspapers in the civil courts for damages.

Such protection of my rights is not available to me when I am subjected to this hearing. It will be impossible for me to check what is happening on television and radio, what parts of the proceedings are given, and what comments are being made during the time I am appearing here. I will be subjected to glaring lights which are very disturbing. My manner of sitting, of talking, of using my hands, the clothes I wear, may all be the subject of movies and unfavorable comment, and may be used against me. My voice, which is not trained, may make an unfavorable impression, and my entire appearance, as given, or compared to others, may be distorted.

It is a known fact that people who are not accustomed to making public appearances, or speaking in public, are made nervous by even a small audience, even in quiet surroundings. Such nervousness, which may affect their answers, will be greatly increased for me if I have to appear on television or radio, and in front of the committee and their lawyers of great skill, who I have no reason to believe are friendly to me. I would be conscious of the fact that several million people are getting a close-up view of me, or my questioners, and listening to our voices.

From my own observation I know that a person testifying before this committee is made to appear in news reels no matter what his desires are. These news-reel films I have seen shown on television. Various comments will be made about my personal appearance by the employees of the television stations, my way of answering, and anything else they can think of which will be of interest to their audience. I know that, during intermissions, the same employees of these companies circulate through the audience and pick up comments from the

spectators, under these circumstances a witness becomes part of a show. His actions, personal appearance, his manner of talking, or not talking, are passed upon in the same manner that a dramatic critic reports a performance of an actor on Broadway, but with more serious consequences to the witness.

To illustrate: In recent New York City hearings it was reported that former Mayor O'Dwyer gave a forceful and embattled performance, that Costello was a beaten man, that another man was a comedian, and so on.

Well, I feel this way: If the television industry wants me to aid in boosting the sale of TV sets, and the sponsors, saloons, and restaurants want my aid in boosting their business, I am entitled to be consulted just the same as any other American amusement enterprise.

I might say, What is going on when I am brought in for cross-examination to be a performer for the TV and radio industries, the beer, automobile, cigarette, and cosmetic industries which use TV and radio to boost their sales and profits?

I do not know to what extent this question has been raised before the committee, but I am stating now that I believe that such procedure is a violation of my constitutional rights, and before I have anything further to say, I wish to respectfully inform the Senate committee that I will not, in danger to my rights, perform to aid the TV industry, the radio industry, and the news reels, and I will proceed no further until this apparatus is shut off and removed.

The CHAIRMAN. Mr. Nellis, will you ask any questions?

Mr. NELLIS. Mr. Rothkopf, tell the committee where you have been for the last 3½ months.

Mr. ROTHKOPF. I have just stated my position. I have nothing further to say.

Mr. NELLIS. Have you been in the State of—

The CHAIRMAN. Just a minute. By cooperation with the television, the television lights are not on, Mr. Rothkopf. The television is not on you, Mr. Rothkopf.

Now go ahead, Mr. Nellis.

Mr. NELLIS. Have you been in the State of Nevada?

Mr. ROTHKOPF. I have nothing further to say. I have stated my position.

The CHAIRMAN. You are ordered to answer that question.

Mr. ROTHKOPF. I have nothing further to say to you, Senator.

The CHAIRMAN. Go ahead with the questions.

Mr. NELLIS. Under the circumstances I think it is fair to say for the record that the testimony of this witness has been sought in, at least, six States. We have attempted to serve a subpoena on him through the cooperation of the Cleveland Police Department, the Miami Police Department and the United States marshals in six States.

Now, where have you been since December 14, 1950?

Mr. ROTHKOPF. I have stated my position. I have nothing further to say.

The CHAIRMAN. You understand that you are ordered to answer these questions. Can that be agreed, Mr. Counsel, and Mr. Rothkopf?

Mr. McMAHON. I think so, Senator.

Mr. NELLIS. Do you not know that this committee called the public hearings to begin in Cleveland, Ohio, the 17th of January of this year?

Mr. ROTHKOPF. I have nothing further to say.

Senator WILEY. May I make a suggestion, Mr. Chairman?

The CHAIRMAN. Yes.

Senator WILEY. I think you might very well order the lights on so that if there is going to be a review in any direction that it can become apparent to the reviewing authority that both, at least, this witness has got his mind about him, he is not influenced by the lights, he is very clear as evidenced by the look in his eye, and he is not willing to cooperate with this committee. I think if you turn them on now, he has made his point, but let the lights go on and then those who review it can see.

The CHAIRMAN. I understand your position that Mr. Rothkopf, that even with the television lights off as they are now, that you are not going to answer any questions as long as the radio and anything else is on, is that correct?

Mr. ROTHKOPF. That is right.

The CHAIRMAN. That is your position. So it would not do any good to turn the television lights off. They are already off. It would not do any good to take or to ask the movie gentlemen to remove the movies, as long as the radio is here. You still would refuse to testify?

Mr. ROTHKOPF. I have stated my position.

The CHAIRMAN. Is that correct?

Mr. ROTHKOPF. That is right.

The CHAIRMAN. All right then, you may as well turn the television lights on, if they wish to.

Mr. NELLIS. Now, Mr. Rothkopf—

The CHAIRMAN. Let the record also show that Mr. Rothkopf appears to be, as did Mr. Kleinman, calm and clear, well composed, quite healthy physically—

Senator WILEY. No claim that he is sick.

The CHAIRMAN. Looks like he has been at Sun Valley, I mean at Desert Inn or Florida, got a good tan, seems to be in good physical condition and suffering no embarrassment, so far as anybody can see. Go ahead, Mr. Nellis. Will you ask the questions?

Senator WILEY. When the lights come on he smiles very benignly.

Mr. NELLIS. Mr. Rothkopf, have you ever been known by any other name than Rothkopf; have you ever gone by the name of Lou Rody or Lou Serumba?

(No response.)

The CHAIRMAN. Let the record show that the witness refuses to answer.

Mr. NELLIS. Have you every been convicted of any crime, Mr. Rothkopf?

(No response.)

The CHAIRMAN. Let the record show that the witness refuses to answer.

Mr. NELLIS. Is it not a fact that in 1937 you were convicted of a conspiracy to violate the internal-revenue laws of the United States and were sentenced to 4 years in the penitentiary and a \$5,000 fine, is that not a fact?

(No response.)

The CHAIRMAN. Let the record show that the witness refuses to answer.

Mr. NELLIS. Is it not a fact, Mr. Rothkopf, that you are a partner in the Lookout Club at Covington, Ky., is that not a fact?

(No response.)

The CHAIRMAN. Let the record show that the witness refuses to answer.

Mr. NELLIS. Is it not a fact that you are also a partner in the Beverly Hills Country Club which is scheduled to reopen on the 1st of April, is that not a fact?

(No response.)

The CHAIRMAN. Let the record show—I assume that we can stipulate that the record will show that he refuses to answer each of these questions, is that understood, Mr. Rothkopf?

Mr. McMAHON. There is no question about that.

The CHAIRMAN. All right.

Mr. NELLIS. May I proceed?

The CHAIRMAN. You may proceed.

Mr. NELLIS. Is it not a fact that you were at one time in the Arrow Club and that for sometime past you, Kleinman, Tucker, and Miller have been known as the Cleveland Gambling Syndicate, is it not a fact that your syndicate has operated in at least three States other than the State of Ohio?

(No response.)

Mr. NELLIS. Is it not a fact that Mr. Sammy Haas, a witness whom we are looking for still, brought you, Kleinman, and two others into the Detroit Steel Corp.?

(No response.)

Mr. NELLIS. With Mr. Max Zivian?

(No response.)

Mr. NELLIS. Mr. Rothkopf, have you ever been a partner in any gambling operation in the State of Florida?

(No response.)

Mr. NELLIS. How did you get into the Desert Inn operation with Wilbur Clark?

(No response.)

Mr. NELLIS. Mr. Chairman, I have a lot of other questions.

The CHAIRMAN. Yes. I think we should so state that the record shows as to that. I will ask, myself, only one or two other questions. Do you know Moe Dalitz?

(No response.)

The CHAIRMAN. The record shows that he refuses to answer. Or Tucker, Samuel Tucker?

(No response.)

The CHAIRMAN. Let the record show that he refuses to answer.

Mr. NELLIS. I have one more important question.

The CHAIRMAN. All right.

Mr. NELLIS. Mr. Rothkopf, did you know that on February 3, 1948, Mickey Cohen telephoned you from Los Angeles, Calif., and did you know that by court order that telephone conversation was recorded?

(No response.)

Mr. NELLIS. And that Mickey told you that the deal was well in hand, that everything was O. K. on the west coast then. You know about that, do you not; it has been in the newspapers?

(No response.)

Mr. NELLIS. Now, what did he mean by "the deal being well in hand," Mr. Rothkopf?

(No response.)

Senator TOBEY. Mr. Chairman, the hour is late, we have been made fools of long enough, in my judgment. I move that this man also be arrested and held in \$10,000 bail.

Mr. NELLIS. I have no other questions, Mr. Chairman.

The CHAIRMAN. I think the record should show that our testimony in Cleveland, Detroit, Los Angeles, and other places has shown that Mr. Rothkopf and Mr. Kleinman are a group of one of the most active and important interstate criminal and gambling syndicates in the United States; that this gang is well financed; they have extensive operations in the States of Ohio and Kentucky, some interests in Michigan, perhaps some interests, some of them, in West Virginia, perhaps some interests in Florida, some of them do have interests or have had, and also in Las Vegas at the Desert Inn in California.

For the purpose of our inquiry they are important witnesses, and the information they can give the committee would be very helpful in connection with interstate criminal operations of a substantial magnitude.

Let the record also show that Senator Tobey and Senator Wiley and the chairman are present. And that Senator Tobey has moved that the witness be held for a hearing on Friday, that his bond be fixed at \$10,000, and that he be continued under subpena, I mean, continued under his warrant of arrest. Is that all right with you, Senator Wiley?

Senator WILEY. Yes.

Senator TOBEY. That is all right with me.

The CHAIRMAN. Let the record show that the motion is unanimously carried.

The same as in the previous case and also that it is carried in the previous case.

Mr. Rothkopf will be remanded to the Sergeant at Arms of the Senate, held under subpena and to appear here at 10 o'clock on Friday morning. The bond will be fixed at \$10,000 as authorized by the resolution.

That is all.

Mr. McMAHON. One thing, Senator, may I further say that the conditions——

The CHAIRMAN. Sit down, Mr. McMahon.

Mr. McMAHON. I am sorry, I forget this microphone.

May the record show that the physical conditions which have existed throughout the testimony or the questions asked of Mr. Kleinman so exist throughout the testimony or the questions asked for Mr. Rothkopf.

The CHAIRMAN. All right. What is that now?

Mr. McMAHON. The physical features of the lights, the cameras, the microphones, and the reporters, newsreels.

The CHAIRMAN. Are the same now as they were when Mr. Kleinman testified.

Mr. McMAHON. That is correct, sir.

The CHAIRMAN. That is your statement. That is all right.

Mr. McMAHON. All right.

The CHAIRMAN. You made the statement. That is all. You are excused now.

The committee will have open hearings in the morning at 10 o'clock at which time the representatives of the Treasury Department will appear. We hope to get through by 12. And then we will have some further hearings during the week all of which, however, will be executive because there are some matters that we must go into and also the staff and the members of the committee are very busy with our report. We are sorry that the hearing this evening has been so long, but we appreciate the cooperation of the radio and the television and the press and all of our friends who have come here.

The committee will stand in recess until 10 o'clock in the morning.

(Whereupon, at 11 p. m., the committee adjourned to reconvene Tuesday, March 27, 1951, at 10 a. m.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

TUESDAY, MARCH 27, 1951

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE ORGANIZED
CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The special committee met, pursuant to adjournment, at 10:15 a. m., in room 318, Senate Office Building, Senator Estes Kefauver (chairman) presiding.

Present: Senators Kefauver, O'Connor, Hunt, Wiley, and Tobey.

Also present: Representatives Cecil R. King and John W. Byrnes. Rudolph Halley, chief counsel; Alfred M. Klein, Joseph Nellis, John L. Burling, Ernest Goldstein, counsel.

The CHAIRMAN. The committee will come to order.

We hope that during this hearing this morning and the final open hearing of the committee, at least of this committee, that we can have it just as quiet as possible in the hearing room.

I wish at this time to express the committee's thanks and appreciation to Congressman Mike Monroney, the chairman of the Privileges and Elections Subcommittee which have a hearing scheduled this morning and have a prior claim on this hearing room. I said Congressman Mike Monroney. It is Senator Mike Monroney. Mike and I served together in the House. So we still call one another Congressman. They very generously released this room in order to make it possible for us to have our last final hearing here.

So I am happy to note that all five of the members of the committee are present for this hearing. I am sure that no senatorial committee has had a group of members who have been more devoted to their work on this committee than have Senators Tobey, Wiley, O'Connor, and Hunt. Considering their obligations and the amount of time that everyone has given to this committee it has been remarkable.

The chairman invited Senator Byrd, who is chairman of the subcommittee of the Senate Finance Committee, to sit with us today. We hope that he may be here. Also, Congressman King, of California.

I want to say that we will have general statements by the various heads of the various divisions of the Treasury Department this morning with whom our work has been connected. And then this afternoon we will have an executive session with the same executive representatives and, also, Special Agent Palmer of the Atlanta division, Mr. Davies, special agent in the California district, and Mr. Madden from Chicago. The executive hearing will be held in the D. C. committee room in the Capitol.

I should say that in connection with the appearance of Mr. Foley and Commissioner Schoeneman and his staff before the committee here today that I should call particular attention to the fact that a subcommittee of the Ways and Means Committee of the House of Representatives has been appointed and has for several months been engaged in a study and investigation of the administration of all aspects of the internal revenue administration, in which it has received, as I understand, the full cooperation of Commissioner Schoeneman and his staff. This Ways and Means Subcommittee is presently conducting executive hearings. And the Commissioner and his staff have reviewed with them legislative suggestions for improving tax-enforcement procedures. I am advised that during the hearings recently several recommendations have been made to the Ways and Means Committee.

I have had a meeting with the chairman of the Committee on Ways and Means, Congressman Robert Doughton, of North Carolina, and the chairman of the subcommittee, Congressman Cecil King, of California, and with members of this subcommittee, and have assured them to our desire to fully cooperate in supplying the Ways and Means Subcommittee with all available information in our possession which might be of assistance to them.

In the Congress the Ways and Means Committee has primary jurisdiction of matters affecting the internal revenue departments, since tax measures must originate in the House of Representatives. They have an excellent committee and I know that they will carry on the investigation and the study that they started with diligence and in a way that the American people will know that a full and thorough job has been done.

On the Senate side, the Senate Finance Committee has primary jurisdiction of matters in which the Internal Revenue Department is concerned. Senator Byrd is chairman of a subcommittee of the Senate Finance Committee which has been making some inquiry. I think they are to a large extent asking the subcommittee of the Ways and Means Committee to take the lead in the inquiry.

I am sure the members of our committee recognize that it is the primary responsibility of the Committee on Ways and Means which has the sole authority for initiating tax legislation and, also, the Senate Finance Committee, to maintain active and continuing scrutiny over the administration of internal revenue laws, not only in the Bureau of Internal Revenue, but in the Department of Justice as well.

However, in an investigation of organized crime in interstate commerce it is impossible to carry out an investigation without coming into contact with and meeting problems with reference to taxation, the efforts of racketeers and gangsters in interstate commerce to try to avoid taxation, without making a study of tax laws, at least, insofar as they affect the operations of people in which we are interested. So that that is our jurisdiction in the matter. Our recommendations, of course, will be gone over with the committees that have primary jurisdiction, and it will be their job, and I am sure that they have the matter fully in hand, of carrying on with any worth-while recommendations that may be made.

At the hearing this morning we have, I believe, about six witnesses, heads of the various departments which we shall hear, and we appreciate their cooperation in coming here.

When we first started our inquiry we had Mr. Foley and Mr. Schoeneman and Mr. Anslinger, the same witnesses we have this morning, who gave us suggestions and recommendations. And since that time they have cooperated with us in making available tax files and income tax returns in a great many cases and in many other ways.

We stated in the beginning when Mr. Foley and his associates were here that later on, after our hearings, toward the conclusion, that we would ask them to come back, and they expressed a desire of coming back and giving us the benefit of any other and further recommendations and suggestions that they might have in connection with the tax laws as they pertain to interstate crime and people who are engaged in it.

Our first witness this morning is Mr. Edward H. Foley, the Under Secretary of the Treasury. We are very glad to have you, Mr. Foley, here with us.

Not that it is necessary, Mr. Foley, to swear you or any of the other witnesses here today, but it is our invariable rule to swear all of our witnesses.

Do you solemnly swear the testimony you will give this committee will be the whole truth, so help you God?

Mr. FOLEY. I do.

TESTIMONY OF HON. EDWARD H. FOLEY, UNDER SECRETARY OF THE TREASURY

The CHAIRMAN. I understand, Mr. Foley, that you and Mr. Schoeneman and Mr. Avis of the Alcohol Tax Unit and Mr. Harry Anslinger, the head of the Narcotics Division, all have prepared statements?

Mr. FOLEY. That is correct.

The CHAIRMAN. Which I hope if you have not done so you will pass out to the ladies and gentlemen of the press and go on with your statement, and then we will try to complete with all of the testimony this morning shortly before 12, because before we adjourn this meeting I want each member of the committee to make brief observations.

Do you have copies of your statement which we can have up here?

Mr. FOLEY. I do. I thought that they had been distributed.

The CHAIRMAN. All right, Mr. Foley. You are the Under Secretary of the Treasury?

Mr. FOLEY. That is correct, sir.

The CHAIRMAN. How long have you been Under Secretary of the Treasury?

Mr. FOLEY. I have been Under Secretary since July 15, 1948.

The CHAIRMAN. Very well, sir, you may proceed.

Mr. FOLEY. Mr. Chairman and members of the committee, as we agreed last Friday, I have a statement this morning which has been prepared by Secretary Snyder and which he would have liked to have been able to present to this committee in person, if it had been possible for him to be here. As you know, he is recuperating from an eye operation and it is not possible for him to be present this morning, but with your permission I would like to make a statement for him.

The CHAIRMAN. Very well, Mr. Foley. I did want to say that I had a very pleasant and very useful visit with the Secretary of the Treasury on last Friday, and he has had a very serious operation and

it is manifestly impossible for him to be here. We appreciate that fact.

Mr. FOLEY. He has taken a great deal of interest in the work of this committee, Mr. Chairman.

The Treasury Department is pleased to have this further opportunity to cooperate with the Senate committee established to investigate organized crime in interstate commerce. All honest men endorse the purpose of this committee to stamp out crime and all of its evil effects.

At the outset of the committee's activities, Treasury officials appeared before you and described the manner in which the Department's law-enforcement responsibilities in various fields are carried out. I shall outline those fields again only very briefly in the present statement. The agencies which operate in them are, broadly speaking, five in number, and their duties are highly specialized.

The Bureau of Internal Revenue, acting particularly for enforcement purposes, through its Intelligence Unit and the Alcohol Tax Unit, protects the Federal revenues. The Intelligence Unit investigates suspected cases of fraudulent evasion of the income-tax laws. The Alcohol Tax Unit has the task of suppressing the non-tax-paid liquor traffic.

The enforcement work of the Bureau of Narcotics is directed against illicit traffickers in narcotic drugs.

The agents of the United States Secret Service are charged with protecting the President and his immediate family, and the suppression of counterfeiting and forgery of obligations of the Government.

As part of its function of collecting import duties, the Bureau of Customs enforces the laws against smuggling.

The United States Coast Guard enforces maritime law, and cooperates with other Treasury enforcement agencies.

Your committee not only heard the earlier statements by various Treasury enforcement officials to which I have referred, but has had available to it further information from our personnel and our records. I trust that this cooperation by the Treasury has been helpful to you in your very worth-while investigations.

In addition to my own remarks today, Mr. Chairman, the Commissioner of Internal Revenue and the Commissioner of Narcotics will, at the request of your chairman, give the committee further data on the enforcement tasks which they personally direct.

I want to speak particularly today about the manner in which the Bureau of Internal Revenue enforces the income-tax laws.

Your committee and the people of this country are entitled to the fullest facts about the Internal Revenue service and its operations. Confidence in the proper functioning of that service is vital to the very preservation of the Federal revenue system.

The Government looks to all taxpayers to assess themselves voluntarily, and to pay their taxes without compulsion. The voluntary system will continue to be successful only so long as the public is assured—and it can be assured—that the Internal Revenue service is doing a good honest job.

It is most important to remember that the Internal Revenue Bureau is basically a service organization. During the fiscal year 1951, the Commissioner of Internal Revenue is charged with the collection of nearly \$48 billion of tax revenues. In order to make these collections,

he must administer not only the individual income tax, but also 78 other separate internal revenue levies.

I shall not go into great detail as to the many tasks the Internal Revenue Service is required to perform in the collection of the revenue.

The processing and bookkeeping operations that the revenue service must perform annually are on a tremendous scale. This is all in addition to enforcement work.

By law, income-tax records, returns, and reports may not be disclosed to the public. But there are other provisions of law which make it possible for the revenue service to make returns and reports available to appropriate committees of Congress while in executive session.

In the course of this committee's endeavors, there have been made available to it under executive order thousands and thousands of individual income-tax returns from revenue service files of the last 10 years. In instances where investigations had been made, the reports of the investigators also were made available. The committee had the option of asking for other returns and reports in the Bureau's possession.

Last year a subcommittee of the House Ways and Means Committee was established to inform that committee and the Congress regarding the day-by-day work of the revenue service. This subcommittee is a continuing group with which the Commissioner and other revenue officials met last December and again more recently. These hearings have been in executive session—and therefore completely without restraint—and have afforded the Commissioner an opportunity to tell specifically what the revenue service has been doing, and is doing to check on the income-tax returns of racketeers, gamblers, and other members of the criminal class.

The Commissioner and his associates have reviewed for the subcommittee of the Ways and Means Committee the record of the revenue service in this area of enforcement of the tax laws. The subcommittee has indicated that it will go into this entire subject in an exhaustive manner. It is an area, I might remark, which the Bureau of Internal Revenue long since came to recognize as one in which the maintenance of its reputation for proper public service requires the most diligent effort.

In sessions with the House committee, the revenue officials just last week explored the possible need of additional legislation to strengthen the hands of enforcement officers against gamblers and racketeers. The chairman of the subcommittee, Representative Cecil King, announced last Thursday certain legislative fields which are being reviewed.

One suggestion which has been made is that a statement of assets and liabilities, to show net worth, be required in connection with the income-tax returns of individuals deriving their income chiefly from sources other than wages.

Another is that the statutes of limitations should run until 6 years instead of the present 3 years in cases of willful failure to file an income-tax return.

A third would make it a felony, instead of a misdemeanor, to willfully fail to file an income-tax return or to willfully fail to keep the proper books and records. In this connection, it has been sug-

gested that the Federal tax laws be amended to specify in greater detail the required types of books and records.

One more suggestion has been that revenue agents be permitted, in cases of suspected tax evasion, to examine the books and records of taxpayers prior to the due date for filing a return.

These and other proposals for new legislation will be developed more fully in the course of the subcommittee's continued studies.

I referred earlier to the fact that the responsible officials of the Bureau are at your service to give the committee detailed information, if desired. Commissioner Schoeneman is here today to give you precise data on the score card of the revenue service as to the collection of the taxes of known gamblers and racketeers, and the steps taken against tax evaders among these people. I think you will find in this information adequate proof that the warfare of the Bureau of Internal Revenue against major league criminals did not end with its successful attacks on Al Capone, Ralph Capone, William R. Skidmore, Nucky Johnson, William R. Johnson, Irving Wexler, Jimmy La Fontaine, Samuel Beard, and their kind of earlier racketeering days. I might note that Ralph Capone and Samuel Beard are in serious trouble with the revenue service again today, as repeat performers.

As the progress of the current investigations is revealed in tax liens and indictments against the law violators, I think it will be agreed that the revenue service continues to obtain real results in bringing tax evaders of the racketeer class to justice. The experience of your committee indicates the difficulty in obtaining information from this class of law violators. It takes months, and sometimes years, for the internal revenue investigators to obtain the kind of information needed before a successful prosecution can be had. The important fact is that the indictments do come in due course.

A few months ago, this committee disclosed certain matters relating to the conduct of a few—a very few—Bureau of Internal Revenue employees in the State of California. As the committee is aware, the Treasury thereupon stated publicly that these matters had been under investigation by revenue prior to the committee's disclosures. Our investigation continued, and the one employee and one former employee involved were indicted by a California grand jury last week.

In my 5 years as Secretary of the Treasury, I have found the honesty of revenue service employees to be beyond question. The exceptions are few—very few. On the point of integrity in the internal revenue service, I feel at liberty to quote from a report made 3 years ago to the Joint Committee on Internal Revenue Taxation by an Advisory Group appointed pursuant to Public Law 147 of the Eightieth Congress. The Advisory Group said:

We believe that the standards of integrity maintained by the Bureau in the conduct of the Government's business are of a very high order. This is truly remarkable in view of the size and decentralized character of this organization and inherent nature of tax determination, which continuously provides opportunities for lesser standards. Honesty is not the only course open to thousands of Bureau employees, yet few choose to follow any other.

It is unfortunate that any of the employees of the internal revenue service should depart from the strict rules of conduct and integrity which is the standard of the internal revenue service. It is a tribute to that service with its force of over 55,000 employees that only an infinitesimal number should fail to meet those high standards.

The information given to the public by this committee in recent months on the spread of organized crime through this country must have impressed a great many persons with the thought that the burden of the revenue service in enforcing the tax laws against criminals has enormously increased. But let me assure you that in the 3 years since the Advisory Group reached its conclusions, the honesty and fidelity of the Bureau employees who shoulder this burden have not decreased.

To facilitate our increased workload in the organized crime field the Bureau of Internal Revenue is preparing to create a Special Fraud Section, the expert personnel of which will center its attention on the tax accounts of gamblers, racketeers, and others of their kind. The purpose of this Special Fraud Section, plans for which will be described for you more fully by Commissioner Schoeneman, is to streamline our effort against professional crime's tax evaders, at the same time interfering as little as possible with the work of other Bureau of Internal Revenue agencies in their regular tax collecting auditing responsibilities.

Let me add my commendation of the results of the committee's endeavors. The program which we followed toward the goal of exposing corruption, immorality, and illegality has been truly an enlightened one. I think your work has contributed to public morale, and has heartened public officials. I heartily favor the idea of this committee continuing its inquiries and its reports to the public to whatever extent the members feel they can spare the necessary time from their other very onerous and very important duties and obligations. If your work is continued, you may count on the Treasury Department giving you its fullest further cooperation.

I want to say here that I share the views expressed yesterday by Attorney General McGrath on the proposal which has been made for the creation of a permanent crime commission. It is my belief that this step would tend undesirably to relieve local authorities of responsibility for law enforcement, and would tend toward the creation of a national police system—something never contemplated in the basic legal framework of the Government.

I think, too, that the Attorney General was on sound ground in pointing to the availability of Federal grand juries to hear citizens' complaints against criminals. I agree with him, further, that in areas where State grand juries are not readily available to complaining citizens, it would be well for State authorities to make them available at least once a year. Such a step should have a very healthy effect indeed on the law-enforcement problem.

We already have taken note of much of the information brought out in your public hearings which might indicate a need for further Bureau of Internal Revenue investigation. If the committee has any data which has not been publicly disclosed and which might assist us in tax law enforcement, we shall welcome action by you to make it available to us.

Our common purpose is to protect a priceless national asset. That asset is public confidence that the affairs of Government, and in particular the affairs of the internal revenue service, are being properly conducted. The responsibility for keeping this confidence inviolate rests upon us all.

We in the Treasury and the internal revenue service shall continue to give our best efforts to the preservation and strengthening of that confidence. We have every official reason and every personal reason to do so.

On the personal score we share the concern of every American for the safety of the country and the preservation of our hard-won liberties. And we know that our success in collecting the huge revenues required for national defense is dependent in tremendous measure on every honest taxpayer having assurance that the revenue service will leave nothing undone to bring chisellers to justice.

There is full warrant in the revenue service record for every taxpayer to accept that assurance as an established fact. Bringing chisellers to justice has always been the service's determined policy, and continues to be its pledge.

The CHAIRMAN. Thank you very much, Mr. Foley.

Mr. FOLEY. Thank you, Mr. Chairman.

The CHAIRMAN. It was a splendid statement. You can give our thanks to Mr. Snyder.

In order to expedite matters, the committee has decided that we will ask Mr. Schoeneman, Mr. Avis, and Mr. Anslinger to make their statements, and then if all four of you, with Mr. Foley, will stay at the front table, the committee members can direct questions to the ones of you under whose jurisdiction the question properly falls.

Mr. FOLEY. That will be entirely agreeable, Mr. Chairman.

TESTIMONY OF GEORGE J. SCHOENEMAN, COMMISSIONER OF INTERNAL REVENUE

The CHAIRMAN. George Schoeneman, you are Commissioner of Internal Revenue?

Mr. SCHOENEMAN. Yes, sir.

The CHAIRMAN. How long have you been Commissioner?

Mr. SCHOENEMAN. Since July 1, 1947.

The CHAIRMAN. Mr. Schoeneman, will you, and Mr. Avis, and Mr. Anslinger stand up. You swear the testimony you, each of you, give the committee will be the truth, so help you God?

Mr. SCHOENEMAN. I do.

Mr. AVIS. I do.

Mr. ANSLINGER. I do.

The CHAIRMAN. You may proceed. We have a record of criminal tax fraud cases; is that brought in by you?

Mr. SCHOENEMAN. That is an exhibit.

The CHAIRMAN. Of factual summaries.

Mr. SCHOENEMAN. That is an exhibit, Mr. Chair.

The CHAIRMAN. I see. You will refer to it in your statement?

Mr. SCHOENEMAN. Yes, sir.

The CHAIRMAN. All right, Mr. Schoeneman, we are glad to have you before us this morning.

I see you have a pretty long statement here. No; it is not so long, either. You may proceed. I understand that Congressman King has come over. We will be very happy to have him sit with us at the committee table and participate. And, also, Senator Byrd.

Mr. SCHOENEMAN. Mr. Chairman, and gentlemen of the committee: My job as Commissioner of Internal Revenue on behalf of the American people, is to see that the taxes levied by the Congress are paid.

To the extent that the criminal element in our country, or any other of our citizens, get by without paying their taxes, then to that extent their burden must be assumed by those of our citizens whose character, honesty, and patriotism motivate them to declare and pay their proper tax.

I appear here today in response to your letter in which you requested that Treasury representatives discuss with you certain matters involving tax administration. As Commissioner of Internal Revenue I had the task last year of collecting nearly \$39,000,000,000 in internal-revenue taxes from the American people. This fiscal year the estimated collections are almost \$48,000,000,000; for the fiscal year 1952 the collections are estimated at close to \$60,000,000,000. These are the taxes which the Congress has imposed by the laws now on the books.

In the performance of my duties, I feel a deep sense of gratitude for tremendous assistance received from numerous sources.

The CHAIRMAN. May I ask the officers if our guests cannot stop moving around, if anyone feels that they have to leave, let them leave now, so that we will not have so much confusion in the hearing room. And will you, officers, please see that we have better quiet in the rear of the hearing room.

All right, Mr. Schoeneman, I believe, if you could get the microphones a little bit better adjusted, that maybe we can all hear better.

Mr. SCHOENEMAN. Among those are the great mass of our citizens who have carefully computed their taxes and who have punctually paid them; the employers who have collected and paid over the taxes withheld on wages; those who have reported payments to others on information returns; the employers who have assisted their employees in the preparation of their returns; accountants, lawyers, school teachers, and other public-spirited citizens who have also assisted others in the preparation of their returns, the Subcommittee on Administration of the Internal Revenue Laws of the House Ways and Means Committee for its counsel and guidance in many matters affecting Federal tax administration; and your committee which has done much to focus increased attention upon the racketeering element and made the public generally more conscious of that segment of our population which has sunk so low in national morality as to attempt to live off the sweat of the other fellow's tax payments—a segment, I might say—which has been receiving the attention of the revenue service for over 30 years.

Because of this great contribution that has been made and is being made by your committee, I am grateful for the privilege of appearing before you and stating the policies and procedures underlying Federal tax administration.

At the present time we have 55,500 employees in the internal revenue service. This is only one employee for each 3,000 people in the country. There are about 90,000,000 tax returns of all classes filed each year. This is close to 1,640 returns for each revenue employee. Our total annual costs are \$246,000,000. This means that we spend on the average only 59 cents to collect each \$100 of revenue.

There are 79 different kinds of Federal taxes now imposed by law. For each of these taxes we must draw up the rules and regulations to assist the taxpayers in complying with the law. We must draft and print a wide variety of return forms for use by the people. The total number of forms printed last year was more than one-half billion.

We must see that these forms are placed in the taxpayers' hands, and help the taxpayers fill them out when they ask us for assistance.

We must receive and sort the 90,000,000 returns filed by the taxpayers each year, and account for and deposit all tax money paid with the returns. These jobs are required as a service operation and this part of our task requires close to one-half of all our employees.

To the everlasting credit of the American people, better than 90 percent of our total taxes are voluntarily paid. But we do not dare stop here for it is obviously unfair to collect the taxes from only those who are honest and careful in their tax payments even though they account for better than 90 percent of the total.

So we must take the other half of our force, numbering some 26,000 and assign them to front-line tax enforcement. These are the people who make regular examinations of returns and, where necessary, investigate those whom we suspect as willful evaders.

We screen the 90,000,000 returns and select from them those which appear to be most worthy of examination. We are improving this screening process by means of an audit sample program. From the examinations of the returns and investigations, we obtained \$1,700,000,000 in added revenue last year. If we had had the manpower we would have examined more returns and could easily have produced much more additional tax.

In the examination of the returns we use all the data available to us, such as information reports, withholding statements, taxpayers' records, complaint letters, and knowledge of all the circumstances surrounding the taxpayer.

If in the course of our regular examinations we run into situations which make us believe that the taxpayer is willfully trying to cheat on his taxes, we promptly stop our usual tax examination and call in specialists who are skilled in criminal investigative work.

I should like to make it clear at this point that we approach our basic examination job on the theory that most taxpayers are honest and any errors are due to a misunderstanding of the technical requirements of the law. Accordingly, all honest taxpayers have nothing to fear from our people. It is not believed that in a democratic form of government we should operate as a gestapo peering over the shoulder of every taxpayer. I am sure that the Congress does not want that approach.

But we are ever mindful of the fact that there are some taxpayers who are dishonest. It is for this reason that we have a staff of agents who are trained in criminal investigation. These are known as special agents.

During the past 5 years we have assigned an increasing number of men to this part of our over-all job. In 1945 our special agents numbered only 300. Today they number more than 1,200.

It is unfortunate that so much of the taxpayers' money must be used to pay the cost of enforcing the revenue laws among such a relative small percentage of our people. It is highly disproportionate

to the revenue obtained from this group, but it is nevertheless necessary to maintain equity and justice among the taxpaying public.

We anticipate that through the increased efforts we have been making and the additional efforts we propose to make, combined with the beneficial results of the findings of your committee and those that are being developed by the subcommittee of the Ways and Means Committee assigned to study the administration of the internal revenue laws, it will become increasingly difficult for this element of our population to escape their proper taxes.

We have been bearing down, and we shall continue to bear down, on every willful tax evader to the extent of our ability. To this end, we solicit the aid of all our people in helping us to run them down.

In accordance with the President's expressed desire that the executive branch cooperate with your committee to the fullest extent, the internal revenue service has cooperated most fully from the outset. As the Secretary has stated, more than 8,000 tax returns have been made available to you in response to your request from time to time. This was made possible through the President's order of June 17. Our cooperation has also included the furnishing of extensive investigative reports and there have been many conferences with our personnel.

Moreover, we have also been cooperating with a specially named Subcommittee on Internal Revenue Administration of the House Ways and Means Committee as well as with the Senate Finance Committee. We have had a number of meetings with the House subcommittee—the most recent being only this past week when possible legislative changes were discussed in detail.

We have supplied the subcommittee with current confidential lists showing the names of all alleged racketeers and other criminals now under active investigation by our intelligence unit.

We are furnishing still other confidential lists naming those under inquiry by other groups of our enforcement agents.

Detailed facts on hundreds of cases to which the subcommittee attached special importance are also being supplied.

On the confidential name lists, nearly 2,500 persons are identified. These are lists which, under the law, cannot be disclosed publicly and the publication of which would jeopardize the success of our investigations.

The subcommittee has also been given lists of those alleged racketeers and other criminals who have been prosecuted for tax evasion during the last few years, and also those now under indictment.

On March 20 I also presented to the House subcommittee a statement of our efforts and accomplishments in the racketeering and gambling area. I would like to submit for the record of this committee a copy of that statement.

The CHAIRMAN. It will be received and made an exhibit to your testimony, Mr. Schoeneman.

(The document referred to was marked "Exhibit No. 48," and will be found in the files of the committee.)

The CHAIRMAN. While we are interrupted, the chairman is pleased to recognize Congressman Cecil King of California, who is chairman of the subcommittee of the House Ways and Means Committee which I have referred to earlier, and we are glad to have you here to sit with us, Congressman King, and to participate in this hearing in any

way that you will, to ask any questions that may occur to you, because we have been very happy to work in cooperation and along with you in this matter.

Mr. KING. Thank you, sir.

The CHAIRMAN. Go ahead.

Mr. SCHOENEMAN. Mr. Chairman, attached to the exhibit which I just asked permission to hand to your committee is a copy of a statement which I made before the Subcommittee on Internal Revenue Laws of the House Ways and Means Committee on March 20, 1951, and I would also, if agreeable to you of the committee, like to give you the list of representative cases referred to on page 9 of my statement before the Senate Crime Committee.

The CHAIRMAN. All right, sir, they will be made exhibits.

(The document referred to was marked "Exhibit No. 49," and will be found in the files of the committee.)

The statement shows that our record in this area for the past 5 years has been as follows:

There have been 1,671 investigations conducted by our special agents of individuals involved in gambling activities—including the numbers game, lotteries, handbooks, and slot machines—as well as abortionists, bootleggers, extortionists, corrupt officials, and numerous individuals associated with, or in the fringe area of, the underworld.

These investigations have resulted not only in 248 indictments, but also in additional assessments of nearly \$129,000,000.

Currently we are investigating nearly 2,500 such cases in this criminal area.

There is available, should your committee desire, a representative list of convictions, pleas, and sentences for violations of the internal revenue laws. Examination of the public records will show that the individuals appearing on this list were allegedly engaged in activities which can be classified as illegal, contrary to the public interest, or related to criminal activity.

With the cooperation of the Department of Justice, the parade of indictments continues and there are over 35 cases involving gamblers and racketeers now pending trial as a result of indictment, or awaiting grand jury action on criminal complaints.

We have with us today some of our most experienced special agents in charge who are available to give you first-hand accounts of their current investigations of tax returns in this racketeering field. The law prohibits us from disclosing these returns to the public. For this reason, and also because public discussion of our current investigations can seriously cripple our efforts in this area, these accounts must be given in executive session.

The CHAIRMAN. We can go into such ones as you think are pertinent and the committee wishes to ask about at our executive session at 2 o'clock this afternoon.

Mr. SCHOENEMAN. Mr. Chairman, there isn't any return, any investigation we wouldn't welcome an opportunity to present to your committee if you desire.

The CHAIRMAN. Thank you, Mr. Schoeneman.

Mr. SCHOENEMAN. I wish to emphasize that all of these investigations and prosecutions I have been referring to are exclusively in the racketeering and criminal field. They do not include the thou-

sands of investigations and hundreds of prosecutions of other classes of tax-law violations.

While on the subject of our enforcement work, I would like at this time to say a few words about how we endeavor to maintain a high standard of honesty among our own employees.

I appreciate the confidence which the Secretary has expressed in the integrity of the personnel in the revenue service. I can also say, from my own experience of more than 30 years with the service, that our organization is composed of able, conscientious and hard-working men and women who deserve the confidence of the taxpaying public.

We are ever mindful of the responsible trust which attaches to the revenue service. We know that public confidence in the integrity of the service is essential to the operation of our revenue system. As a consequence, it is also vital to the proper functioning of our Government and the preservation of our way of life.

We mean to keep the caliber and honesty of the many thousands of our employees at the very highest possible levels. To insure this, we have numerous supervisory and inspectional checks on them.

First and foremost, at the time an investigating officer is appointed, we conduct an extremely thorough investigation of his background and character. We maintain close group chief supervision over all employees during the course of their enforcement work. Further, all agents and deputy collectors must submit daily reports of their activities. We also have a review set up in the field of all cases examined by the agents and an additional sample postcheck in Washington. In addition, our special agents are ever alert to all situations where the integrity of any of our employees may be brought into question, and all leads we receive which may indicate any unfaithfulness to our high standards are followed up very carefully.

For the collection service, we also maintain a close inspection control through the offices of the supervisors of accounts and collections who make periodic audits of all collection accounts somewhat along the same line as the audits carried on by national bank examiners.

In short, our first concern is the integrity of our employees and I want to emphasize that we consider any case reflecting upon that integrity—regardless of the amount of tax involved—as infinitely more important than a case involving possibly a great deal more in immediate revenue.

As I have already told you, the revenue service is a very large organization involving some 55,000 employees and handling nearly \$50,000,000,000 annually. On occasions we have found a few employees who have been faithless to their trust. I think, however, it is important for the committee and public at large to know and be assured that these few, out of so many, do not characterize the revenue service. Even so, we make a continuous effort to guard against any such cases and, if they do develop, we pursue them as relentlessly as the most serious type of violation coming within our jurisdiction. That has always been our policy, and it will continue to be.

I believe that the record which the revenue service has established in making hoodlums toe the tax mark is one of which we and the American people can be proud. The Service, however, has never been content to rest on its record in this or any other field. The constant desire we ourselves have for improving tax enforcement in every way possible, coupled with the important contribution which your com-

mittee, the House Committee on Ways and Means, and the Senate Finance Committee have made and are making to the thinking on this problem, have prompted us to strengthen even further our enforcement efforts in the field of criminal tax evasion.

During the past 3 or 4 years there have been more rapid strides made in the management of the internal revenue service than at any time in the history of the service. This has resulted from an all-out concentrated attack upon improvement in executive and supervisory control by the establishment of a management staff devoted solely to this task. Impetus was added to this plan personally by the Secretary through his interest in this phase of operations, as evidenced by his establishment on July 2, 1948, of a Committee to Direct the Management Studies of the Internal Revenue Service. Management improvement has run the whole gamut of operations, including mechanization, work simplification, reorganization, and other streamlining devices.

Under date of March 18, the Secretary announced plans for a new organizational attack on the criminal element problem. Since your committee has evidenced an interest as to our plans for this attack, I would like to tell you briefly what they are.

Racketeers, gamblers, and other hoodlums of the criminal stripe are being treated as a special class for tax-enforcement purposes. We are setting up in each of the 14 field divisions of our Intelligence Unit an enlarged special squad of agents who have demonstrated outstanding ability to crack through the false financial fronts of racketeers and to track down their efforts to evade the tax laws. These squads will be supplemented by other men specially skilled in investigations of this type whom we will recruit from the staffs of our regular revenue agents, our deputy collectors, and our alcohol tax investigators. These enlarged racketeer squads will operate directly under the supervision of the special agents in charge of the field divisions of our Intelligence Unit.

Depending upon how many of these additional men we will need for this campaign, we may have to ask the Congress for additional funds because our enforcement work in other areas will undoubtedly begin to suffer. We have already brought this possibility to the attention of the Subcommittee on Appropriations of the House during our recent appearance before that group.

Operating responsibility for this all-out drive will be placed in one man in Washington whose duties will be confined exclusively to this particular part of our general tax fraud work. It will be the duty of this official to plan, supervise, and carry out an extensive and vigorous enforcement campaign in this criminal area.

Strict supervision will be exercised over the drive, and detailed records will be maintained so that we will be in a position to report the progress of the campaign to the Secretary and to the Congress.

For the purpose of giving your committee as much assistance as possible, I have with me today certain of our officials who are most directly charged with the supervision of our investigating work. They, as well as I, will be available to discuss with you such other matters as, under the law, may be appropriately discussed in a public hearing. As to any matters which cannot be publicly discussed, we will be glad to go into them in as much detail as you may wish in executive session.

While the records I have given you will indicate that the criminal element of this country has been given unusual attention in the past in our tax investigations, I believe it proper to state that the attention which your committee has focused upon this underworld element of our country's population, in addition to the attention being given the subject by the subcommittee of the Committee on Ways and Means, is a challenge to further enlarge our investigative coverage in this field. The outline I have given you of our present plans will be augmented by other approaches and techniques as we proceed with this intensive drive.

Mr. Chairman, I appreciate this opportunity to discuss our plans and progress with you and to enlist your support and that of the public in general in maintaining an effective and vigorous revenue service.

The CHAIRMAN. Thank you very much, Mr. Schoeneman. I know that there are many matters in your report which the chairman and members of the committee would like to comment about, to commend you on, and other things to ask questions about. But in order that we can get through, we will hear the other witnesses before making any comments or asking any questions.

Mr. SCHOENEMAN. Yes, sir.

The CHAIRMAN. Mr. Avis, will you come around. Just sit right here, Mr. Schoeneman.

FURTHER TESTIMONY OF DWIGHT E. AVIS, ASSISTANT DEPUTY COMMISSIONER, ENFORCEMENT, ALCOHOL TAX UNIT, TREASURY DEPARTMENT

The CHAIRMAN. Mr. Avis, you have been with us on several occasions in the past on a good many problems, and we are glad to have you here again today.

Mr. Avis, you are the Acting Commissioner or the Commissioner of the Alcohol Tax Unit of the Treasury Department; is that correct?

Mr. Avis. Assistant Deputy Commissioner in charge of enforcement.

The CHAIRMAN. I mean Assistant Deputy Commissioner in charge of enforcement. That is correct. Do you have a written statement? Yes, we have it. Very well, you may proceed, Mr. Avis.

Mr. Avis. Thank you, Mr. Chairman.

Mr. Chairman, I had the opportunity on June 28, 1950, to discuss with the Senate Special Crime Committee the work of the Alcohol Tax Unit and more particularly the status of the non-tax-paid liquor traffic. At that time my legislative recommendations were confined to an amendment to the National Firearms Act needed to correct a defect in existing law.

Mr. Chairman, you will recall that I again appeared before your committee on November 8, 1950, with Deputy Commissioner Carroll Mealey in executive session at which time the principal officers of the eight major distilling companies were also present. At that time you told us that the preliminary investigations of the committee had indicated that racketeers controlled a few wholesale outlets in specific cities. After a great deal of discussion, you proposed that the distillers take steps to eliminate this element from the industry through

voluntary action. The distillers agreed to designate a committee to study this problem and to make recommendations. At your request, Deputy Commissioner Mealey agreed to act in an unofficial capacity as moderator for that committee. Under date of December 7, 1950, the industry committee report was submitted to you along with a communication from Deputy Commissioner Mealey in which he concluded that the racketeer problem could not be solved short of legislation and made certain recommendations in this regard. You subsequently referred to the industry report as unsatisfactory. The Deputy Commissioner's report referred in particular to a bill pending in the Congress since 1944, sponsored by Senator McCarran and Congressman King, which had as one of its objectives the more effective control of the liquor industry through a requirement that permits be renewed annually. It was pointed out that the enactment of this provision would do much not only to deter the "racketeering" elements from entering the industry but to eliminate any now in it. In December 1950, largely through the effort exerted by Congressman King, this bill, then H. R. 3229, was resurrected, committee hearings had on it, the bill reported out and passed by the House in three consecutive legislative days. The same bill, H. R. 137, was again introduced by Congressman King in the present session and reported out the first week in January by the Ways and Means Committee and is now awaiting a rule from the Rules Committee. The wholesale end of the liquor industry is vigorously opposed to the bill and is conducting an extensive lobby against it. It is hoped that this committee will support this legislation.

Mr. Chairman, with the committee's permission, I would like to consider the legislative aspects of the interstate traffic in tax-paid spirits from license States into local-option States, which was the subject of complaint by the Southern Liquor Administrators at the hearing before the committee on March 9, 1951. The interstate transportation of tax-paid liquor into dry States is directly related to this problem. At that time I stated that a legislative solution of this so-called export problem would be welcome, if there is one. I characterized this traffic as a racket, pointing out, however, that it had been with us since repeal of national prohibition. This traffic, Mr. Chairman, at the present time, originates almost entirely at wholesale liquor dealers' premises in the States of Illinois and Louisiana which have export laws.

The twenty-first amendment to the Constitution contemplated that the responsibility for control of the liquor traffic would be placed in the respective States. Specific provision was made for the protection of the dry State. The Liquor Enforcement Act of 1936, however, further limited the application of the constitutional provision in that it conditioned Federal protection on the enactment by the dry State of a permit system for the transportation of liquor through the State. Oklahoma and Kansas originally qualified under this act. Both States have since repealed their enabling legislation, and Kansas is now a wet State. Mississippi, another dry State, never qualified for protection and now collects a 10 per cent sales tax on liquor.

In considering this problem the Congress must determine whether, as a matter of policy, the local-option State is entitled to the same protection under the twenty-first amendment as has been extended

to the wholly dry State. If this question is resolved in the affirmative, it is believed one of the solutions is the Camp bill, H. R. 1278. This bill, which has the support of the Southern Liquor Administrators interested in this problem, would amend the Liquor Enforcement Act of 1936 and thereby extend the same Federal protection to the local-option State as is now extended to the wholly dry States and under similar conditions. Under this amendment the local-option States would still be able to control the liquor traffic within their borders and to determine or to decide whether or not they wanted Federal assistance.

Mr. Chairman, the Alcohol Tax Unit's jurisdiction as to these interstate shipments is now primarily confined to the enforcement of section 2857 of the Internal Revenue Code, which requires wholesale liquor dealers to keep a true and accurate record of their sales. This provision of the law, while adequate for revenue purposes, was never designed to protect the local-option State, now will its enforcement stop the flow of liquor into these States. This traffic constitutes a law enforcement problem. The Camp bill is, at its best, only a partial solution. Its enforcement will tend to control and restrict the traffic to some extent but will require substantial additional enforcement personnel.

At the time of the hearing on March 9, 1951, before the committee, some of the State commissioners assumed the position that a Federal requirement for positive identification of applicants for special tax stamps (retail and wholesale liquor dealers) would constitute a solution of the export problem. Their argument was that if the liquor dealers in the local-option and dry States could be properly identified that the Federal and State records required to be kept by border wholesale liquor dealers could be used against such dealers for the assertion of States taxes evaded and for prohibitory purposes.

At the suggestion of the committee, the Bureau of Internal Revenue is taking steps to require better identification of applicants for special tax stamps. Cashiers in the collectors' offices are being directed to require identification of the applicant where the applicant appears and pays his tax in person. Where the application and tax are forwarded through the mail, as a substantial portion of such applications are, the collectors' offices will issue the stamp and forward it to the applicant by registered mail. These steps will help but it is not believed that the identification of applicants for tax stamps will prevent the securing of stamps in the names of "dummies" or "fronts," which is already a favorite subterfuge. The only practical method of eliminating or exposing such "dummies" or "fronts" would be to investigate applicants for liquor dealer special tax stamps in the southern States prior to the issuance of the stamps. The cost of such investigations, considering the fact the special tax is only \$27.50, would be prohibitive. Moreover, if all applicants should be identified and all "dummies" and "fronts" eliminated, the export problem would not be solved because the traffic in tax-paid liquor in the southern States would go underground and no special tax stamps would be obtained. The testimony of the commissioner from North Carolina disclosed that this is the situation in that State.

Mr. Chairman, the question, basically, is whether Federal authority shall be extended to the protection of local-option States, such as is provided for in the Camp bill, with all the obligations and expenses

that such extension entails, or whether the enforcement of State and local laws shall be left with the States, with such incidental assistance as the Alcohol Tax Unit can render under existing laws. It is in these identical "dry" areas involved in this export problem to which this tax-paid liquor is destined which present the greatest enforcement problem with relation to the production of non-tax-paid spirits. This illicit distilling problem is the first responsibility of the Alcohol Tax Unit.

I appreciate this further opportunity to appear before the committee. Thank you.

The CHAIRMAN. Thank you very much, Mr. Avis.

TESTIMONY OF HARRY J. ANSLINGER, COMMISSIONER, BUREAU OF NARCOTICS, TREASURY DEPARTMENT

The CHAIRMAN. Now, Mr. Anslinger. Before you start, Mr. Anslinger, I want to say we are delighted to have you with us again. You have appeared before the committee and given us much valuable help from time to time, and you know that the committee has particularly been interested in the problem of the Bureau of Narcotics.

With Congressman King, and on the Ways and Means Committee, we are glad to have as our guests this morning Mr. John Byrnes, Member of Congress from the great State of Wisconsin.

Senator WILEY. Say that again and again and again, will you, brother?

The CHAIRMAN. Now, Mr. Anslinger.

Mr. ANSLINGER. Mr. Chairman, distinguished members of the committee, since I have appeared before you on two occasions, I will try not to repeat.

The CHAIRMAN. Mr. Anslinger, get arranged there a little better so we can hear better, if you will.

Mr. ANSLINGER. I will try to bring the committee up to date since my last appearance.

The facts of the recent increase in drug addiction are somewhat obscured by hysteria and good news copy. We warned as early as 1940 that some retrogression could be expected in the postwar period unless strenuous measures were taken. It is not general throughout all sections of the country, but is confined mostly to certain segments and certain neighborhoods in some of the larger cities. The increase can best be demonstrated by the fact that 2 years ago we had only a few young people under 21 in the narcotics hospital at Lexington, Ky., and today we have several hundred. Most of these are young hoodlums. The high school student is the exception. We are forcing these young hoodlums to take treatment. The Public Health Service has just requested Congress for an increase of several hundred beds at the hospital at Fort Worth, Tex., which is due to the fact that we are forcing these young hoodlums into the hospital for drug addiction. This increase has followed in the wake of a wave of juvenile delinquency. These young people associate with criminals, begin to smoke marijuana and then graduate to heroin. They have to spend from \$6 to \$15 a day to maintain addiction, and they obtain this money through criminal activities.

We had some 79 young people before the grand jury in Detroit a few weeks ago, and not one was going to school. There were a few who

had been to school but who naturally had to drop out because the taking of narcotic drugs is very confusing, and they cannot get \$6 to \$15 a day in order to maintain addictions.

The type of young hoodlums we are encountering cannot be deterred by copybook maxims, nor can they be reached by an educational program.

The main reason that narcotic trafficking and consequent addiction flourishes in certain districts is because these peddlers are lightly dealt with by the courts. In districts where they get heavy sentences, you do not find much trafficking. We make 5,000 arrests in a year, and by the time we process these cases and start on another campaign the first violators are back in business. Nearly all of these peddlers have had two or three convictions. If they would get, say, 5 years for the second offense and 10 years for a third offense, conditions would be immeasurably improved.

For many years we have been endeavoring to have police departments in the larger cities set up specialized narcotic squads to arrest the smaller peddlers, and we have succeeded in several localities. This leaves our force free to concentrate our major efforts on the traffickers who operate on a large national scale. With our small force of less than 200 men for the entire United States, we must rely on the States and on the local police to eliminate the street peddlers.

Now the city of Los Angeles has a police narcotic squad of 28 men. It is the only city in the country which has taken the initiative to establish an adequate narcotic squad, and thereby they cut collateral crimes because all of these addicts are engaged in criminal activities—robbery, burglary, and various other crimes. I do not think the situation will get any worse as we are attacking the heroin sources in Italy and Turkey, and there are signs that this attack is having its effect. Italy has been a major source recently; is still a major source. We have finally had the promise of the Italian Government to cut down their medicinal needs of heroin from 195 to 50 kilos of heroin. Some 145 kilos were being smuggled into the United States and into Canada.

Recently in Trieste the Italian Government has arrested a large band of traffickers, many manufacturers who were engaged in the manufacture of heroin.

Clandestine heroin laboratories were thriving in Istanbul, and our recommendations to the Turkish Government are having some effect in trying to control the distribution of opium in the country so that it does not reach these illicit laboratories. That is having some effect.

Now Senator Wiley asked about the connection between narcotics and communism. I can definitely say that we have no evidence that such is the case, but if the Communists in this country should engage in the traffic they will find themselves in jail in very short order.

Now the Chinese Communists have recently placed on the market, have offered 500 tons of opium for sale. That is a tremendous quantity of opium, and it is equal to the medical supplies of the entire world for 1 year.

The Yugoslav delegation at the United Nations presented a resolution, which passed the Commission on Narcotic Drugs and the Economic and Social Council, which called to have an independent international body ask the Chinese just what they intend to do, whether

they intend to engage in this trade. They never have before. They have offered this 500 tons through Hong Kong. It has been offered in this country. Of course, we naturally refuse the permits.

This resolution calls on them to disclose the sources and the stocks and what their future intentions are, and expresses the hope that in a country in which the opium evil problem has presented such a social evil, there would not be a legislation of the trade.

Now very recently the Chinese Communists have been trying to get foreign exchange by selling opium and heroin in the black markets of Indochina, Burma, Thailand. Recently in Tokyo a few weeks ago our military authorities seized a large quantity of heroin which had been manufactured in Tientsin, China. Some of this heroin was probably destined for the United States.

I don't suppose they have any ideas about using heroin as a weapon for warfare, but if they have, they might pause because the Convention on Genocide covers that point. Russia prohibits the use of heroin, most of her satellites do, and we see no reason why China should not prohibit the manufacture and the use of heroin because there certainly is enough being manufactured in the world today.

We have a number of draftees claiming drug addiction to escape the draft, and we are working with the military authorities very closely to break up this racket.

Through the United Nations, and through other channels of international cooperation, our Government has been exerting every effort to eliminate the external sources of narcotic drugs. We are trying also to bring about an agreement among the producing countries to reduce their production to medical needs, and are having much success.

Now many of the top smugglers dip into the narcotic traffic. Of a list of 800 hoodlums I furnished your committee, about 200 have narcotic records.

We convicted Lepke Buchalter and Mendy Weiss, two leaders of Murder, Inc., who smuggled heroin from Japan; the One Hundred and Seventh Street mob, with national ramifications; and many other international gangs.

When I was here before I told you the Chinese tongs were not active. Well, they are becoming active again, and we intend to take care of that situation very soon. Recently in St. Paul the leader of the Ong-Lee-Ong Tong shot and killed one of our best agents.

And now the narcotic traffic is a vicious, criminal racket which lives off the slow murder of its customers. It must be dealt with more drastically and realistically. The last time I was before this committee I made five proposals, and I should like to emphasize these and add one. I don't intend to repeat them, but the one was, the first one was that—the average prison sentence for the drug peddlers is only 18 months, and legislation now pending before Congress would provide 5 years for the second offender, and a minimum sentence of 10 years for the third offender. This same amendment is being considered by the various State legislatures, and I wish to say, Senator, that it was passed last week in Tennessee.

The CHAIRMAN. Tennessee always sets the pace on good things like that.

Mr. ANSLINGER. Tennessee and West Virginia were running a very close race. So they probably signed—maybe West Virginia was a day late on that; I don't know.

The CHAIRMAN. I understand Tennessee was first in this legislation as in most other matters.

Mr. ANSLINGER. Well, I can say, Senator, they were first in this and they knocked out all probation provisions.

Senator WILEY. Is there special need for it down there?

The CHAIRMAN. Well, there is a lot of interstate traffic from other States that we have to see about.

Mr. ANSLINGER. It was bad at one time but it is cleaned up now.

Senator HUNT. I assume the Wyoming Legislature took no action because we have no need for any of these rules or regulations in Wyoming.

Mr. ANSLINGER. We send them down there occasionally, Senator. But with that legislation you will find the narcotic traffic will melt away in West Virginia and Tennessee.

Now naturally I will repeat that there should be an increase in our force. We have 200 men. That is a pretty thin line when you realize there are 18,000 men on the New York police force.

We would like to see more State activity. California and Pennsylvania are about the only States that do some real criminal work. Of course, a lot of the cities that have narcotic squads do excellent work. We recommend that these narcotic squads be set up in the cities where there is substantial trafficking. And the one recommendation is that Federal law enforcement agencies dealing with racketeers should be provided with a means of protecting Government witnesses. Now we are having too many witnesses killed, and I think they deserve to have some better protection than what they are getting now.

Also I wish to submit as worthy of study this matter that I brought up, which has probably come to the fore right sharply—that some centralized agency maintain a gallery of major interstate racketeers and international racketeers and systematically collect this information, disseminate it along the lines of the Treasury Department's list of major narcotics suspects which has been so valuable throughout the world, because the local officers don't get the grasp of what these big gangsters are up to, and I think they should be furnished by the Federal Government with such a list. It would spotlight their activities.

Now there is one recommendation I didn't make, but because our hospitals are so full, I think the cities can very easily enact an ordinance requiring the treatment of drug addicts, particularly the young people, young hoodlums, and require they be quarantined in the hospital until they are pronounced cured by the medical authorities, because these young hoodlums spread addiction wherever they are, and they contaminate other persons like persons who have smallpox. Association with other addicts is the chief cause of drug addiction.

Just in closing I wish to say that your committee for the first time has focused the pitiless spotlight of publicity in the hidden poisonous recesses of the underworld, and I extend the gratitude of our Department.

The CHAIRMAN. Thank you, Mr. Anslinger.

Now, Mr. Anslinger, if you can move over, and Mr. Avis and Mr. Schoeneman move in.

It is 15 minutes of 12. I know we could go on with a great many questions and inquiries and comments, but we will all try to limit our questions.

Congressman King, we would be glad if you and Congressman Byrnes would join in any questions that you wish.

Mr. KING. Thank you.

The CHAIRMAN. I will call first on Senator O'Connor for any questions he wishes to ask.

Senator O'CONNOR. I should like to ask Mr. Anslinger, who is well qualified and has done such splendid work in his particular field, if he can give us a little more in detail his thoughts concerning the interstate nature of the narcotic traffic. You have noted, Mr. Commissioner, that there has been a recent increase. Has that been discernible in interstate traffic?

Mr. ANSLINGER. Senator, the traffic operates—particularly the heroin traffic is all interstate because it must originate abroad. We do not manufacture heroin here, so it comes into New York, across the Mexican border, or in the Pacific coast, of course, and it is distributed. Usually it moves from east to west. It is absolutely an interstate problem.

Now it isn't too general. It is confined to some of the larger cities. For instance, in some States, we have a ratio of drug addiction of about 1 in every 3,000, where in the New England States, Minnesota, and Pennsylvania, the ratio runs about 1 in 25,000. So the traffic is confined to some of the larger areas.

Now we have not had much of an increase in drug addiction in the South except New Orleans.

Senator O'CONNOR. More recently there have been shocking disclosures, for example, in our own State, and there has been quite a lot of unrest in the Baltimore section, as you, of course, are well aware.

Mr. ANSLINGER. Yes, sir.

Senator O'CONNOR. I was wondering if you could give us any enlightenment as to the reasons for that, whether that has been noticeable in other sections of the country, and whether it's an increase in regard to any particular class of the community, as the teen-agers, for example.

Mr. ANSLINGER. That situation you will find in Boston, New York, Detroit, Baltimore, Washington, St. Louis, New Orleans, Los Angeles, and San Francisco, and it is due to something that followed in the wave of juvenile delinquency. Certainly these young people come from broken homes. They associate with criminals, and they start smoking marijuana and then graduate to the more high-tension drugs. It is a phenomenon that appeared for the first time in our country. We have never seen this before. It has spread like—it has spread very rapidly, and we are meeting this challenge by forcing these young people to take cures.

Now it is a young hoodlum element. Young people come from broken homes for the most part. There are very few high-school students involved.

Senator O'CONNOR. You have, of course, indicated one improved method of procedure would be by heavier sentences in our courts. Would you think it would be desirable to have mandatory sentences of a longer duration than now are made possible?

Mr. ANSLINGER. The legislation pending now before the Congress provides for a mandatory sentence of 5 years for a second offender and 10 years for the third. For the first offenders there can be probation, but there is a 2-year sentence provided.

Now as I pointed out to Senator Kefauver, in Tennessee they even knocked out probation, so you have a mandatory sentence of 2, 5, and 10 years, and the traffic will move to other States.

Senator O'CONOR. You wouldn't think that for the chronic offender, the man who has a very lengthy record of continued offenses, we could have something like the Baumes law enacted years ago making it possible on a fourth or fifth offense to make it life imprisonment?

Mr. ANSLINGER. We should certainly favor that if something like that could be gotten through the Congress, but we feel the present legislation pending will do the work, and we would find if that went through it would immeasurably improve the situation.

Senator O'CONOR. Is there anything else that could be done to bring home to the courts the necessity for the imposition of heavier sentences?

Mr. ANSLINGER. We have at the League of Nations the old Opium Advisory Committee, and now the United Nations. They passed resolutions from time to time urging that the nations bring to the attention of the authorities the fact that short sentences do not deter; where you have heavy sentences you don't find the traffic.

Senator O'CONOR. Mr. Chairman, just one other question I would like to ask one of the very able representatives of the Treasury Department, either Mr. Foley or Mr. Schoeneman, and I do not know which of the two might undertake to answer. That is as to the reasons for the allowance to a number of persons whose income-tax returns we have examined of the right, or at least they have seized on the right, to list only a word or two by way of explanation of their returns from their operations. For example, we have found in explanation of certain income a word such as "speculation" or "miscellaneous income," or "horses" or "pay-offs," "income from wages." And I was wondering whether or not there is felt any need to change and to require additional detailed information.

Mr. FOLEY. Senator O'Connor, I would like to make this one observation. I think the situation you refer to is a very, very limited one, and I think that it does not stop on the part of the taxpayer making such a limited declaration. I think that he is subjected to a good deal of questioning, and I think that the Bureau exhausts every possible way to make him make a proper and a full disclosure.

I would like to have Commissioner Schoeneman, however, enlarge upon that because he can tell you some of the difficulties which I am sure you are aware of, because you have encountered them here with the work of this committee, in making a more complete disclosure of such matters.

The CHAIRMAN. Haven't we agreed that legislation requiring the keeping of more detailed books would be a good thing?

Mr. FOLEY. As I said in my statement, Mr. Chairman, that is one of the matters that Congressman King's subcommittee is at present considering, and which the Commissioner and representatives of the Bureau and the Treasury have discussed with that subcommittee at the present time. I think it would be a substantial improvement in effective law enforcement.

Mr. SCHOENEMAN. Mr. Chairman, I would like to add to what the Under Secretary has said, that this is not a new problem with us. While the returns are received from certain of these underworld char-

acters, where they describe their income as miscellaneous. Those returns are not accepted. We cannot reject a return that is voluntarily filed, but we look behind the statements made on those returns, and I doubt the wisdom and in public session of indicating our technique in that regard, but in executive session I think it would be helpful to this committee if we did tell you some of the things we do in that connection.

Senator O'CONOR. That is all, Mr. Chairman.

The CHAIRMAN. Senator Hunt.

Senator HUNT. Mr. Chairman. With reference to Mr. Anslinger's statement about the lack of uniformity of sentences throughout the United States on the part of judges, that, I assume, is a situation that has been present all along, and it is nothing of recent origin. Am I right in that statement? You have been cognizant of the fact that these sentences have not been sufficient for a great many years?

Mr. ANSLINGER. Senator, some years ago the average sentence was 3 years, and it is now about 18 months.

Senator HUNT. Well now, I was just going to make this observation: In the event the legislation now proposed should not be enacted, would it not be well for your Department, through direct communications to judges involved, explain the situation in detail, that in those areas where the sentences are stiff and proper you have less difficulty than you do in the areas where the sentences are not adequate, and ask them to give some attention to the findings of your Department.

Now I realize between departments you do not like to make suggestions, but I think it is resting on protocol among the various departments, when there is something that can be accomplished through the Secretary and it should not be given personal consideration. I just make that observation in passing.

I want to address a question to Mr. Avis. Do you still allow the selling of Federal permits to anybody who asks for them? I mean retail permits?

Mr. AVIS. Senator, a tax stamp is nothing more than a receipt for special taxes. It is in no sense a permit or a license.

Senator HUNT. Well, it is considered by the Sunday taxicab bootlegger, it is considered by the fellow who keeps his back door open on Sunday and holidays and has no State license, he considers as far as the Federal Government is concerned he is just O. K. to go ahead and violate any liquor law in the State; there is a Federal permit; it is paid for—\$25.

Now I had trouble with that for years and years, and every governor had trouble with it. I do not see why you do not stop it because it gives to the bootlegger above all the feeling that he is secure in carrying his business.

Mr. AVIS. Senator, if I understand the law correctly, those that would violate State laws must pay Federal taxes just like any other citizen, and that very question, as you say, has had the attention of several different governors and has had the attention of congressional committees.

I recall that Senator Herring, from my State, and he was former Governor of Iowa, introduced legislation on that very proposition and it never got out of the congressional committee.

Mr. SCHOENEMAN. Could I add something to what Mr. Avis has said?

The CHAIRMAN. Certainly.

Mr. SCHOENEMAN. The law requires that there be a special tax stamp sold for tax paid by anyone engaging either as a retailer or a wholesaler in the liquor business. The law doesn't qualify as to whether the stamps or the tax has to be paid by an illegal operator or a legal operator.

Senator HUNT. I know; but don't you people have some responsibility there? You know when you are selling some of the stamps to a bootlegger instead of a regular licensee.

Mr. SCHOENEMAN. I believe your thought in that regard is one that should be discussed with the Subcommittee on Ways and Means, because, if we are to take any action other than we take, it will have to come as change of legislation.

Senator HUNT. Those can be purchased by mail?

Mr. SCHOENEMAN. The application is made to the clerk of the Internal Revenue.

Senator HUNT. And what qualifications do you place on an applicant for a \$25 liquor permit, say, in the State of Wyoming; you do not place any, do you?

Mr. SCHOENEMAN. It is a detail that I would have to ask one of our people who enforce that particular section to answer. I am not trying to duck your question, Senator, but I want to have an accurate reply—just how far-reaching the injury is.

Senator HUNT. I just wanted to make this observation—

Mr. SCHOENEMAN. Before I leave this—

Senator HUNT. It encourages that practice—tremendously encourages bootleggers?

Mr. SCHOENEMAN. I might add, Senator, what I have previously said that, on that particular special tax stamp, in order to avoid any construction that is given by the people of your State or other States, it is indicated on those special tax stamps that this is not a license but a receipt for a tax paid.

Senator HUNT. I know it is sort of a composite picture. Now I would like to ask, Mr. Schoeneman, what is the percentage cost of collection as compared to your appropriation; in other words, you said it costs you 59 cents to collect \$100. From that I assume that the total collections you make, I believe, will be charged this year which will be \$59 billion—what percentage of \$59 billion is your appropriation? The point I want to develop is: I think it is true in all tax-collecting agencies that you never make a mistake in appropriating good sums for tax collectors, because they are always far in excess, they collect far in excess of their expense. So I want to know what percentage your total appropriation is of your total collections.

Mr. SCHOENEMAN. It is \$246,000,000, the appropriation is.

Senator HUNT. And you expect your collections to be \$59 billion?

Mr. SCHOENEMAN. Yes.

Senator HUNT. You do not happen to have offhand the percentage?

Mr. SCHOENEMAN. I do not know what that percentage would be.

Senator HUNT. It would be very, very low?

Mr. SCHOENEMAN. Extremely low.

Senator HUNT. What I am attempting to bring out is that appropriating to your Department additional money to aid you in collections, would bring a far greater return than the appropriations would amount to; is that correct?

Mr. SCHOENEMAN. We have indicated that before the Appropriations Committee on various occasions, Senator. We think that we can increase our force to a great extent before reaching the point of diminishing return. We have stated to the Appropriations Committee that with the kind of people that you should select for this kind of a job there is only a limited number that you can absorb during a year. Our theory of increasing our force is that we should gradually increase our force every year, because it takes months to train a man. And with a large recruitment program you are liable to get men in that you do not want.

I agree with you thoroughly that increasing our force would bring in additional revenue, and I believe the orderly approach to that is the proper one; that is, if every year we could recruit a certain number of employees until we could be shown that we had reached the point of diminishing return, that it would be a fine thing in the interests of revenue.

Senator HUNT. There is just one other statement that I would like your comments on, your tax profit rate as applied to gambling earnings. Your tax rate to gambling earnings is the same as the tax rate to a legitimate business; is that right?

Mr. SCHOENEMAN. No, sir. As you know, in the fraud cases, the law permits in addition to the interest a 50-percent penalty. So in all cases of this nature, in addition to any prosecution that might be obtained, there is the assessment and collection of a 50-percent fraud penalty.

Senator HUNT. I did not make my question clear. If I make \$50,000 legitimately—

Mr. SCHOENEMAN. I am sorry.

Senator HUNT. And report it, and the gambler makes \$50,000 and reports it, he pays the same taxes?

Mr. SCHOENEMAN. Yes, sir; the law is the same.

Senator HUNT. Address yourself to this observation. Would it be effective, could it be enforced, would it help you, if we would levy a 99-percent tax on gambling, illegal gambling profits?

Mr. SCHOENEMAN. I think that it would, certainly, help. If we could do a good enforcement job under a law of that kind. To be certain that the person engaged in the illegal enterprises did pay that 99 percent of the tax that the law would provide. Certainly, that would help, but I believe you can visualize a pretty tough enforcement job, even tougher than the one we have now.

Senator HUNT. That is all.

The CHAIRMAN. Senator Wiley.

Senator WILEY. Mr. Chairman, and to you four horsemen of the Treasury on your colts, whatever I have to say I hope will not be misinterpreted.

The CHAIRMAN. Senator Wiley, I see among the colts people who really tell these four horsemen what to do.

Senator WILEY. They can gallop up to the front, too, then, as I ask these questions.

I want to know how that disgraceful situation in the Internal Revenue Bureau in the west coast ever came about in the first place; why it is that the Bureau did not have procedures by which to prevent that sort of a situation from arising. Mr. Foley or Mr. Schoeneman, whoever wants to take it, may answer.

Mr. SCHOENEMAN. I would like to make a general statement, Senator, and I might say before I make my general statement that it is a situation the internal revenue service is not proud of, and a kind of condition that the internal revenue service does not condone.

I would like to state that, when your committee held its executive sessions in San Francisco on November 22 and 23, inquiries were made by you of certain cases then under investigation by the Intelligence Unit of the Bureau of Internal Revenue involving allegations of irregular conduct on the part of four persons, three of whom were employed by the Bureau and one of whom had been employed by the Bureau but had retired on August 31, 1948.

Senator WILEY. Right there, as I remember, when the facts were developed, immediately someone in the Bureau jumped to the defense. Then afterward they were suspended temporarily, and what has happened to them since?

Mr. SCHOENEMAN. I might say, first, that there was not anyone in the Bureau who jumped to their defense. I believe if there was somebody, there was no one in the Bureau who jumped to their defense.

The CHAIRMAN. What happened was that Mr. Schoeneman was somewhat critical of our committee because we had brought out in public certain facts about what was going on during the time when your intelligence service was conducting its investigation.

Mr. SCHOENEMAN. I misunderstood your questions. Yes, I did that, because I have been in the internal revenue service—

Senator WILEY. One of your cubs went wrong, or three or four of them did.

Mr. SCHOENEMAN. No, sir. The thing that I worry about is that if in a service of 55,000 people, 80 or 90 or 100 go wrong in a year, which is just about one-tenth of our force—

Senator WILEY. I do not want you to misunderstand me now.

Mr. SCHOENEMAN. No.

Senator WILEY. I am simply trying to get at a festering sore that is too prevalent these days because of a moral breakdown in our citizenry, as well as in the employees of Government. I do not care to develop it except why was this not discovered before? If we know why it happened we can get the remedy.

Mr. SCHOENEMAN. Well, the matter was discovered, that is, a certain phase of it was discovered earlier than your committee started its investigation.

I should say, however, that the early investigation of these cases did not develop as much information about these charges as were developed later.

Now in answer to your question, this William D. Malloy, whose name was mentioned, was dismissed from the service on February 12, 1951.

On March 16, Ernest Schino was discharged from the service.

On March 20, 1951, Pat Mooney who was a former employee of the Bureau, Ernest M. Schino, who was removed, and Martin M. Hartmann, who was never in the internal revenue service, were indicted by a San Francisco, Calif., grand jury for a conspiracy involving an alleged attempt to settle a tax case against Mrs. Gertrude Jenkins.

The only point I wanted to make, Senator, is that. And our records indicate there are about 90 employees in our service, an average of 90

that we have to remove during the course of a year for charges. It is less than one-tenth or two-tenths of 1 percent.

Senator WILEY. There is not any question about it.

Mr. SCHOENEMAN. I did not want you to think that I was defending these men, but I was defending the other people who might be hurt by this thing.

Senator WILEY. I want to say publicly that I believe that your department, so far as I know, is probably, with the FBI, the two outstanding departments for integrity in Government.

Mr. SCHOENEMAN. Thank you, sir.

Senator WILEY. I just want to say that it is my belief that every man in government who has power, I do not care where he is, should have some check and balance on him so that he does not abuse that power.

We all know the Internal Revenue Bureau has tremendous power. In my judgment the situation on the coast came about because there was really no check against that situation or balance.

I wonder if you have considered the Bureau setting up a sort of revolving flying squad of men whose duty it would be to check into the internal revenue offices, central offices from coast to coast. However, it be essential that these units personnel not be the same for the same area year after year. In other words, where you have the same individuals checking up on the same internal revenue offices almost indefinitely, you get a basis for what happened out there.

I might say that I have made the recommendation—I hope that this committee will apply it and accept it—to that effect. I want to get your reaction, because we are only interested in one thing, that is, good government.

Mr. SCHOENEMAN. There is one part of your suggestion, Senator, that, certainly, appeals to me and, that is, the interchange of men periodically.

I doubt whether the use of a force whose headquarters would be in Washington and who would be out traveling from time to time in the field would be very much different from our present system where we have the special agents in charge who are charged with the investigation of irregularities in our personnel, because they are closer to them and are in a better position to observe things that might go wrong.

Senator WILEY. I wonder if the Internal Revenue has ever set up a list of those accountants and accounting firms who seem to do practically all of their business with one or more of the mobsters.

I recognize the rights of CPA's to handle income-tax returns of legitimate as well as illegitimate pursuits.

It seems to me the Internal Revenue Bureau ought to have up to the minute master lists of those of the individuals who seem to specialize in making out returns of gangsters, in instance after instance as they appear before us. And from here to the west coast we have noted the same men with the firms make our returns for mobster after mobster.

And we found out, moreover, that often one of the best ways we can crack crime is by getting the complete picture from the accounting firm.

What have you done about that?

Mr. SCHOENEMAN. In the Treasury Department, Mr. Chairman, there is a Committee on Practice. It is not an Internal Revenue

committee. It is a committee that operates under the supervision of the Secretary of the Treasury.

The purpose of that committee is to take action on the application of persons to practice before the Treasury Department, and to take action to disbar any attorney or accountant who performs any act or does anything that would justify their being disbarred from practicing before the Treasury Department.

I do not have the records before me, but that is the committee that has been in operation for a long time.

I might also say that if in the course of an investigation by a special agent and all of these frauds go through the special agents before they get anywhere, they find any evidence of irregularities on the part of a representative of one of these fraudulent taxpayers or anybody else, they are the ones that report it to the special committee for disbarment proceedings.

Senator WILEY. Well, the Crime Committee has had several instances where ex-Internal Revenue Bureau personnel are now practically in the business of master-minding the accounting defense of the very mobsters they once investigated.

As I recall, for example, Mr. Giesey, formerly of the Internal Revenue in Cleveland, found much of the data that sent Morris Kleinman to jail back in 1943 on the income-tax fraud. Yet the same Mr. Giesey turned around and now helps prepare the income-tax returns, apparently, for members of the mob.

I understand there is a 2-year minimum limitation on the rights of ex-Internal Revenue Bureau officers to leave the Bureau before he starts working for private individuals or groups in relation to the Bureau.

I might say we had quite a discussion lately in relation to that very statute in the judiciary.

I wonder if you would care to comment as to whether that 2-year minimum period might be expanded.

I want to be fair to the Internal Revenue Bureau personnel who, after all, are entitled to their rights and to their economic possibilities, just as every other individual is, but at the same time I feel that the Internal Revenue Bureau men have a position of great trust which they cannot ignore. And we have definite instances where some of them have done pretty well for themselves, in some very big tax cases after they got acquainted with the facts in years gone by.

I am still harping on this proposition that public office is a public trust. No one is supposed to gain out of the knowledge he gets out of public office.

I would like to get your ideas on that.

Mr. FOLEY. Senator Wiley, first of all let me say that we are just as zealous as anybody is to see that no undue advantage is taken of the Internal Revenue Bureau or the Treasury or the Federal Government. And if you, in the process of your investigation, have come across instances of improper practices on the part of former employees of the Bureau of Internal Revenue I, for one, would like to have you make that information available to me and I will see that a prompt investigation and disposition is made of the matter.

Senator WILEY. Answer the question on the 2-year limitation.

Mr. FOLEY. As to the question you directed, insofar as the 2-year qualification is concerned, as I understand it, the disqualification

applies to matters upon which the person worked while he was in the Bureau of Internal Revenue.

It is difficult for the Federal Government to get good, conscientious people to work in the Internal Revenue and in the Treasury Department at the low salaries that they are paid by the Federal Government. The opportunities outside the Government are very great, as you know. And they are lucrative.

One of the drawing points, perhaps, that a person has is coming into the Federal Government and getting experience and getting training and getting background. I do not say that that is a desirable thing. I do not believe that the great mass of people do come into our employment for that reason alone.

On the other hand, I think we do have to recognize that, Senator Wiley. And I do not think that we ought to be hasty about creating barriers which would prevent us from being able to get good people to work for the Federal Government.

Senator WILEY. Then your answers resolves itself down into this, as I see it, that you, probably, have to see to it that a man has some moral responsibility. You cannot do it by law. And that you do not feel that you should extend the 2-year limit as provided by statute in cases like this.

Mr. FOLEY. I have no recommendation, Senator Wiley, to make to this committee on that score at the moment. I do think, as you have said, it is a matter that we can deal with effectively through the role of disbarment, adequate procedures for which have been created long since in the department.

Senator WILEY. And this matter that Senator Hunt brought up we will have more discussion on in executive session, I understand, but how could the situation ever have come about where a man like Jake Guzik can get away with putting down \$100,000 as miscellaneous income?

In my experience, a humble farmer on some rural route in Wisconsin or in Tennessee, would not dare to put down as much as \$100 in miscellaneous income or expenditures.

Can you explain the case where the Internal Revenue Bureau attempted to force the gangster to specify his income, but the case was dropped?

Mr. FOLEY. Senator Wiley, I would not recommend if I were in private practice that any client of mine make such a disclosure on his income tax return, nor do I believe that you would. I think that the Bureau in the particular case that you have mentioned exhausted every possibility available to it to obtain complete and full disclosure.

I think that this committee has experienced with the kind of people that we are dealing with that it is pretty hard to get them to be very frank and very full insofar as their disclosures are concerned.

I think that we have made every effort to deal with the so-called criminal element in a way that commands respect on their part from the Treasury Department and the Bureau of Internal Revenue.

Senator TOBEY. Right there, Mr. Foley, and I say this in all kindness, no feeling in the matter, but having gone around the circuit with this committee we found so many income tax returns where the word "miscellaneous" was used and that blanket name carried them through without any difficulties with the income tax people.

I should almost think that when a bird like this—excuse me, a gentleman like Guzik, or some others, like the men before us last night, Kleinman, and divers other men, when your great Department—and it is a great Department—the deputy who gets the returns saw that thing of Guzik's, it sticks out like a sore thumb, "Hold on," and call the boys in, press the button, "You cannot get away with this"—I think it would arouse such a sense of indignation in the income tax department they would put them on the carpet and pronto, and get some results from it.

They have been getting away with murder on these things.

Mr. FOLEY I do not think that they have been getting away with murder. I do believe that the Bureau of Internal Revenue has conscientiously and tediously attempted in situations that you are talking about to get complete and full disclosure.

I think that you sitting here, as you did last night and other nights, when I watched you on television, with all of the great power that this committee has through subpoena, through contempt, through perjury and the other things that are available to you that are not available to the Bureau of Internal Revenue, recognize that we do not have willing, cooperative, responding taxpayers in the criminal element.

I do believe that the respect that the criminal element has for the fair and impartial enforcement of the tax laws of this country is justified by the efforts which our conscientious men have put into fearless law enforcement.

The CHAIRMAN. But in any event, the situation is going to be better with this new tax fraud set-up, is it not?

I did not want to interrupt now, Senator, but I think it will be, and I am glad that step is being taken.

Senator WILEY. I want to carry through here.

The CHAIRMAN. Senator Wiley has some more questions, and then Senator Tobey, and Mr. King, and Mr. Byrnes, and Mr. Halley. We do want to finish up as soon as we can, because we do have this other session at 2 o'clock. I know that everybody is anxious for us to get out of their hair and get out of the way.

Mr. HALLEY. Could we just finish up this one point that seems to be dangling in the air, Mr. Chairman, as to whether or not the Treasury has any teeth with which to strike back at the men who do not file returns with any degree of detail?

Mr. FOLEY, is there not a regulation requiring everybody to file an income tax return stating the source of their income and to keep books and records supporting the main sources of income and the main deductions?

Mr. FOLEY. There is such a law, Mr. Halley. I do think that the discussions that we have been having with Congressman King's subcommittee of the Ways and Means Committee will be productive. And I think that congressional sanction in specific lines to require those areas in which net worth statements and specific forms of books and records have to be kept will be helpful in connection with our law-enforcement activities.

Mr. HALLEY. But, Mr. Foley, under the present law, if a taxpayer fails to keep books and records and fails to make a return which is nothing but a sham, do you not right now have criminal sanctions which could be imposed in the present law against present taxpayers?

Mr. FOLEY. We have certain sanctions, Mr. Halley, and I believe that those sanctions have been exercised in proper cases.

Mr. HALLEY. Well, for instance, in the case of Tony Accardo where the return was quite similar to that mentioned by Senator Wiley, an agent did visit Accardo and was simply told there were no books and records. And the tax file shows the notation that in view of the fact that no information could be obtained from Accardo the case had to be dropped.

Now maybe you had to drop a substantive case in which you would show that his income was greater or different from stated, but did you not then and there have a case against him, at least, for failing to keep books and records as required by the Treasury regulation?

Mr. FOLEY. Mr. Halley, I am not familiar with the facts of the Accardo case that you mentioned, but I am sure that if there was a case that could have been made against Mr. Accardo the people charged with the responsibility for doing so in the Bureau of Internal Revenue and in the Department of Justice would have exhausted every means to make such a case.

Mr. HALLEY. But in the event that there are no books—and we have questioned at least two dozen like that, Virginia Hill; we have not questioned Fischetti, but his income-tax returns just show miscellaneous income with nothing behind it—there is Guzik, there are many others—in those cases on your own regulation, can you not at least send these people away for a misdemeanor for having failed to comply with the regulations to keep books and records?

Mr. FOLEY. Mr. Halley, I would be very happy in executive session to submit to this committee what has been done in specific instances of the kind that you just mentioned, and if you will give me a list of those situations that you wish to have dealt with in such a manner I will see that a complete and adequate report is furnished to the committee.

Mr. HALLEY. Where you have a return stating simply a gross-figure income, with no basis for it, or gambling wagers with not one bit of specification, would not the Bureau be justified in holding that that is not a voluntary return and that, in fact, no return has been made?

Mr. FOLEY. On the facts that you have just presented, I would think so. And as I say, we would be very happy to submit specific data in those instances that you have just mentioned.

The CHAIRMAN. In any event, we all are agreed that we are going to try to strengthen the law; is that not correct?

Mr. FOLEY. That is true.

Senator WILEY. The question that Mr. Halley has developed will save me from going over ground, except that in the past several instances have come to my attention where the Government seems to have been notoriously lenient in making tax settlements with hoodlums. That is not the way they do out in my State with the ordinary citizen. That is another phase that I want to go into.

I do not have specific names in mind, but what I am thinking of is something like this: A gangster is accused of evading \$300,000 in income taxes and proceeds to settle with the Government for something like \$30,000.

Now why is that settlement, say, made on that basis? Is there pressure made; is the hoodlum contributing to some political cam-

paign; or what is the situation? Because it is pretty notorious in certain sections of this country that those things have been going on.

Mr. SCHOENEMAN. Senator, you have not identified the case, so that I will have to make a general statement.

Senator WILEY. You make a general statement. I made it general. I do not believe in these kinds of hearings bringing out names. I am not trying an individual. I am trying to see that certain criminal principles are stopped operating. That is what I am trying to get at.

Mr. SCHOENEMAN. I merely wanted to say, Senator, that that kind of a case, if it could be identified, we could explain to you thoroughly. I will tell you the method by which our cases are handled.

If this were a fraud case, and I assume from the description it would be a fraud case, it would go to the revenue agent, the special agent, the regional counsel, all in an effort to prosecute the tax evader. If in the course of that investigation they had to make a settlement for less than they first thought that it should be assessed at, it is the judgment of several men, and it is not one man's opinion, and there is a thorough review on that kind of settlement—it is not the result of any particular person being favored, but it is the result of a system which provides a method of settlement, both with prosecution, or without prosecution if prosecution cannot be successfully recommended—

Senator WILEY. In order to accomplish it then you feel that there has to be either a lack of judgment or legal ability or collusion between several levels of your organization?

Mr. SCHOENEMAN. No, sir. I would not say that. The case starts off on the part of the investigating officer where he feels that the additional tax is a great deal larger and as he gets into it he might be convinced that it is not due.

Senator WILEY. All right. Would you care to comment on the required filing of a net worth statement as made by one of the individuals here today?

Mr. SCHOENEMAN. That is a subject which we have discussed with the subcommittee of the Ways and Means Committee the other day. There are some advantages to it. And I think that it is found there are, also, some disadvantages.

Senator WILEY. Would you limit it, you say, where a man has an income of \$25,000 and that those under would not have to do so?

Mr. SCHOENEMAN. I believe that is the kind of thing that will be developed by the subcommittee on Ways and Means just what your limit should be. In reaching that kind of a conclusion we want to help the committee in any way we can with all of the information we have available.

Senator WILEY. Mr. Commissioner, we know there has been a lot of fraud, a lot of stealing from the Government in taxes, a lot of muggy \$100 bills, and \$1,000 bills lying away in safety deposit boxes. Would you care to comment on a proposal we are considering to call in all bills outstanding of \$100 or larger denomination and replace them with new legal tender?

Mr. FOLEY. Senator Wiley, there is outstanding in the hands of the public at the present time approximately 25½ billion dollars in currency. To call in all of that currency and change it over—

Senator WILEY. You did not get my question. Those of \$100 or over. How much is there?

Mr. FOLEY. Even in the larger denominations, Senator Wiley, specifically outstanding at the present time is denominations of \$100 and over—and I am making a rough calculation now, because it is necessary to add \$100, \$500, \$1,000, \$5,000, and \$10,000.

Senator WILEY. You mean those printed yesterday?

Mr. FOLEY. No; Senator Wiley, I am talking about only the bills now in circulation.

Senator WILEY. All right.

Mr. FOLEY. In that amount it would run somewhere in the neighborhood of 6½ billion dollars.

Senator WILEY. How much over \$1,000—\$1,000 or over?

Mr. FOLEY. \$1,000 and more, outstanding at the present time, \$578,513,500.

Senator WILEY. I did not hear that figure. Will you give it to me again?

Mr. FOLEY. The specific figure, Senator Wiley, of the \$1,000 bills in dollar amount presently in circulation is \$578,513,500.

Senator WILEY. You would not consider that a very big job, would you?

Mr. FOLEY. Well, it would take some time, I believe, to do that.

As far as I know, Senator Wiley, we here in the United States have never called in our currency and exchanged it except in an isolated case where the circulation was not heavy. I am thinking about the threat that was made to the security of the Hawaiian Islands after the attack on Pearl Harbor. There we did replace the currency circulating in the Hawaiian Islands with distinctive currency which was marked on one side "Hawaii" and on the other side with a big "H." We did take back the other currency that had been circulating theretofore.

The idea, of course, was that if Hawaii had fallen into the hands of the Japanese we would have been able to cut off from circulation on the mainland that currency which would have become available to the enemy. That is the only instance that I know of where we actually have called in currency in our currency history.

Senator WILEY. I get from your attitude you would be against it? You do not see any value to the Government?

Mr. FOLEY. I think it presents a great many serious problems which would outweigh any usefulness, I think. If we want to approach something like that it would be much more sensible, Senator Wiley, to let the bills run off. And in that instance I might say that since earlier than 1945 no \$1,000 bills or larger denomination bills have been furnished by the Bureau of Engraving and Printing to the Federal Reserve System for distribution.

Senator WILEY. May I ask if the committee makes it a part of its definite rules that Bureau personnel must exercise courtesy toward the taxpayer?

Mr. FOLEY. Senator Wiley, I would answer that definitely in the affirmative.

Senator WILEY. Well, there have been in my experience memories of a few folks who had a rather big shot attitude, sort of petty tyrants, but there have been very few.

Mr. FOLEY. I am delighted to hear that.

Senator WILEY. But I want to say definitely that this revolving committee that we have talked about heretofore, going into the big

centers and seeing some of these little petty tyrants as they treat the public, could do a tremendous job in sort of cushioning their approach.

Mr. FOLEY. I would be delighted to have you make available to me any instances of discourtesy on the part of any of our employees. I can assure you that we will see that they are dealt with properly.

Senator WILEY. I might say when I came down here in—it is so long ago—in 1939, after that we got into the prewar days with Government centralizing here in Washington with its activities, its bureaus and I can recall, and this does not refer to your particular Bureau of Government activity, I can recall people coming to Washington, coming into my office after talking to some little nincompoop downtown in an administrative office, that they treated them as if they who were paying the bills and were the masters, as if they were the slaves.

Now that is a situation that is very disintegrating. I think it is very pertinent to this inquiry because the citizen owes responsibility, but the public servant, also, owes one.

And when you get people dealing with other people's money and dealing with people who file returns, if the man who is going over that has the attitude that every man who files a return is a crook and reflects it in his attitude, he is doing a disservice to the Government.

And those are the things that I feel I should bring out here, because I am very conscious personally of certain times when things like that happened. And I have seen it, as I said, during the war days when businessmen and others came down and they would go downtown and come back literally boiling because of the treatment given them not by someone in high position, like you four horsemen, oh, no, but some underling who had the attitude he was a big shot.

Mr. FOLEY. Senator Wiley, I think our employees——

The CHAIRMAN. Try to keep your answers as brief as possible.

Mr. FOLEY. Should be courteous.

Senator WILEY. Mr. Chairman, there is just one other question that relates to the gentleman who spoke to us about this dope situation.

Mr. FOLEY. What situation?

The CHAIRMAN. Narcotics.

Senator WILEY. You do not want to call it by that, do you, expert?

Mr. FOLEY. I did not think you were being personal.

Senator WILEY. I did not think you were entitled to be called a dope.

Mr. FOLEY. Thank you very much, Senator Wiley.

Senator WILEY. I want that straightened out.

Just this one question. We find that the folks in some of the entertainment industry, according to the records, use dope. Is that due, do you think, to the nervous tension they get in or what is the situation?

Every now and then we find someone in the entertainment field who has apparently become an addict.

Mr. ANSLINGER. Senator, there is really a high percentage of marijuana users among the jazz type musicians.

Senator TOBEY. Is that what makes them jazz?

Mr. ANSLINGER. Cab Calloway wrote an article, "Is Dope Killing Our Musicians?" And he brought out some rather interesting facts and that was that the use of narcotics did not help a musician as he thinks it does, because confusion certainly does not lend anything to music.

Senator WILEY. What I am getting at is that we have had testimony about gambling and so forth, as a biological urge. Do you think there is a biological something in this thing, too?

Mr. ANSLINGER. No, sir; I think it is just habit.

The CHAIRMAN. Senator Tobey.

Senator TOBEY. In the first place, I want to pay tribute to one of your men in Massachusetts. He is a gentleman and a wonderful official, and that is Kelleher—a good man.

Mr. FOLEY. I am glad to hear that commendation.

Senator TOBEY. I mean it. When you gentlemen have reason to believe from the returns filed that the maker of that return was a gangster or a gambler or some other criminal type, do I understand you cannot, under the law, make known to the authorities his being engaged in such criminal business?

Mr. SCHOENEMAN. Senator, there is no law which would prohibit from giving that information to the Governor or to the taxing authorities.

Senator TOBEY. Have you ever done that?

Mr. SCHOENEMAN. When we have our special agents in charge in executive session this afternoon, let us ask them that question. I think the answer will be yes, but because of my desire to be accurate in my statement I would like to have it come from them.

Senator TOBEY. You prick up your ears and realize something is going on that is phony in the end; in that case, if you thought it was criminal, sure of the evidence, you could turn it over to the proper authorities, could you not?

Mr. SCHOENEMAN. Yes, sir. As a matter of fact, our people in the field—and I think we should strengthen that by Bureau directive—in checking with our people, whenever they come across any case of a violation of some law other than the internal revenue law, where a violation of some law is concerned, where the FBI might be interested, the attention of that organization is called to it. And in the same way attention will be called to the Governor or the taxing authorities, but I believe we can strengthen it by a Bureau directive, Senator.

Senator TOBEY. How much gold have we got at Fort Knox, Mr. Foley?

Senator WILEY. Do you get in there, too?

Mr. FOLEY. I do not have the exact figure at the present time.

Senator TOBEY. The question I had predicate in my mind was this: How often is that gold counted?

Mr. FOLEY. Why, Senator Tobey, it is inspected constantly by proper officials. I can assure you, Senator Tobey, if you ever would want to go to Fort Knox, I would be very happy to give you a personally conducted tour.

Senator TOBEY. The question is whether or not the gold that goes in there is bar form, is any measurement made of that weight to know it is the same amount there?

Mr. FOLEY. I think that the answer to that question is yes, Senator Tobey. And Governor Ross, who is the custodian of our gold supply, would be very, very glad to tell you how she does it.

Senator TOBEY. Just one more question. The Treasury of the United States—we are all part of it, and it is a great institution, there it stands—it has in its possession so much of the world's wealth

that it staggers you. Now as to the resources of the Government in cash and in Government bonds and in the Treasury, and so forth, and evidence of debt, do we ever have annually an independent audit made of the Treasury Department by some CPA or noted authority, or is the audit conducted by Linsay Warren's Department or by the Treasury itself?

Mr. FOLEY. I think, Senator Tobey, the audit is done by the General Accounting Office and it is also done by the Accounts and Deposits Department of the Treasury. I do not know of any instances—

Senator TOBEY. Is that a traveling audit continuously going on?

Mr. FOLEY. Yes. It is continuously conducted.

Senator TOBEY. Not one epic alone?

Mr. FOLEY. That is right.

Senator TOBEY. Thank you, sir.

The CHAIRMAN. Congressman King, would you care to ask some questions?

Mr. KING. I want to extend the appreciation of our committee, Senator Kefauver, for the courtesy you have extended it. I have no questions.

The CHAIRMAN. We have enjoyed cooperating with you and Congressman Byrnes, and your committee. Would you like to make any observation or ask any questions?

Mr. BYRNES. No, thank you, Senator.

The CHAIRMAN. Mr. Halley, do you have any further questions?

Mr. HALLEY. I do not. Mr. Burling has one. However, before I pass on to him I do not think I can allow this hearing to end, Senator, without stating publicly and with the utmost of sincerity the great help and assistance that your staff has received from the Treasury Department and the individuals sitting before you. That has gone beyond the call of any subpoena or the call of duty.

Mr. Foley, Mr. Anslinger, Mr. Schoeneman, Mr. Avis, Mr. Wolf, Mr. Oliphant, and their assistants, not only in Washington but in the various geographical areas in which we have investigated, have not merely answered the call of your staff for material but have in many, many cases volunteered material without which very often our investigations would have been far less successful.

I think it is only just to say that.

Mr. FOLEY. I am very happy to hear that, Mr. Halley. And I appreciate sincerely the sentiment which prompted you to make that statement. I would have been very unhappy if I had not had such a response from you.

It has been our sincere desire to cooperate with this committee and to facilitate its work in every way.

The CHAIRMAN. Mr. Foley, our capable, intelligent counsel, got ahead of the chairman. I was saving my question to the last which was going to be in the form of a statement, but I am glad you have made your statement.

Mr. HALLEY. I thought that personal obligation to make that statement myself.

The CHAIRMAN. Mr. Burling, if you ever get in the House of Representatives you will know what the 1-minute rule is like. So we will put you under the 1-minute rule.

Mr. BURLING. Mr. Chairman, I have only one question. I have talked at great length to Mr. Oliphant and I have advised the committee on the question of your construction of your law. I refer to section 29541, regulation 111. I have said that it would not be deemed a violation of the criminal law if I keep books and records consisting solely of three figures: One, my gross income; two, my gross deductions; and, three, my net income. That constitutes sufficient books and records to comply with the law.

I would like to know whether I am right or wrong, because that is what I have told the committee on the basis of my talk with Mr. Oliphant.

Mr. FOLEY. Mr. Oliphant can speak for himself, Mr. Burling. I merely want to say that this is one of the areas in which we are working with the House Ways and Means Committee where I think through congressional sanction of specifications by way of the kind of books and records that should be kept in particular areas we can improve our law enforcement.

The CHAIRMAN. Is there anything else?

I shall not ask any questions. I do want to say this, to restate what Mr. Halley has said, that you and your people have been very co-operative with us beyond the call of duty or what you were asked to do. Anything the committee has had by way of criticism of anybody in the Internal Revenue Department or any policies, we want you to know it is not aimed at anyone personally, but it is just what we have thought was in the public interest on matters that we should bring out. If we have been too harsh in any respect we are sorry for that. We have tried to state our conclusions and our judgment as best we could.

I feel that, as do all of you, the Treasury Department and all of its agencies and the Internal Revenue are composed of a wonderfully loyal group of men and women who are doing the work the best they can. And it is an institution in which the American people have and must have the fullest confidence.

We, of course, found some bad apples in the basket here and there.

We have had reports about some in other cities which have been prosecuted. We, of course, had this California situation. We are glad that corrective measures have been taken and that others will be taken to ferret out and to get out of the service and be brought to justice any improper people who have been guilty of improper or illegal conduct.

I think in some cases the action on those matters has been too slow. Maybe that is by virtue of the changing of personnel.

It has been our feeling, also, that in some cases, at least, that racketeers and gamblers have not been gone after hard enough.

I know your primary duty is collecting taxes and not putting people in jail, but there is the importance of the law-enforcement problem.

I realize, of course, also, that Congress is partly responsible for not giving you more manpower and for not, maybe, backing you up with better laws for enforcement that you may need.

I feel that this period of 11 months of consultation and discussion back and forth with you gentlemen and talking about suggestions that might be helpful may result, and I am sure will result, in a great

deal of good for the American people, for our Government. And I hope that it may result in some good to the Treasury Department and its agencies.

We each have a great responsibility. I know now that the Ways and Means Committee will carry on. And if we have contributed in any way or measure we are very glad to have done so, of course.

I think one of the finest things I have heard of, something we have been discussing with you for some time, not only the matter of records, and so forth, but the determination now to have a real fraud squad that specializes on that work and that can be placed in any part of the Nation or parts of it where bad situations are brought about, that will not only, I think, result in more revenue, but it will go far toward breaking up organized and interstate crime.

Thank you very much, gentlemen, for your appearance here. We will not have long in the interim, but suppose we set our executive session at 2:20, instead of 2 o'clock. That will be in the District Committee room. And, also, this afternoon Senator O'Connor will have an executive meeting—just a minute, we are not through yet, ladies and gentlemen—he will have an executive session of two witnesses, Mr. Brink, from Kentucky and Mr. O'Brien, from Florida, who is the race wire man, which hearing will be in room 457. It will be an executive hearing. These are two witnesses who have been brought in under warrant by Sergeant at Arms Joe Duke.

Now this being our last session, and we have gone on too long, we cannot let this session end without giving each member a few minutes to make any observations and conclusions that he may desire.

I think we have had a most remarkable committee. I have never served on a committee where there has been more interest in the work by all of the members, where there has been less partisanship, where everybody has been devoted to the work that they have had to do.

I know that some people commented that we would not have a very active committee when we started, but may I say that considering the obligations of having to get reelected, by two of our members, and considering the heavy congressional burden that all of us have had, every member of this committee has pitched in and done his part of the job in a very effective fashion.

I want the public to know that these last 2 or 3 weeks, which have been so well known, that is not all our committee has done. Ninety percent of it has been hard work, which has not been publicized very much, of day and night in executive sessions in nine States of the Union.

Senator O'Connor held the hearing in Detroit by himself.

Senator Hunt in Tampa.

Senators Wiley and Tobey were with us part of the time in Chicago and Kansas City and on the west coast.

Every man has done his very best.

I think we have had a very excellent staff. I want to pay my high respects to them. I wish I could go into some length, but I think in the selection of Rudolph Halley we got a counsel devoted to public service who has done a remarkable job. And that we must recognize that the success we have had has been due to the day-and-night efforts that have been put in by Mr. Halley and associate counsels, Al Klein; John Burling; Downey Rice; George Robinson, who was with us as associate counsel; H. G. Robinson, who is now with the Attorney

General in California; Joseph Nellis; George Martin; Henry P. Kiley, who has left us to go with the International Claims Commission, and who has done a great job; William D. Amis; E. Ernest Goldstein; William Garrett, who has gone back to General Donovan's firm; Ralph Mills, in Miami, who is now the head of the Tampa Crime Commission; Inspectors Frank Ahern and Cahill, whom we borrowed from the San Francisco police; Judge Morris Ploscowe, who has been working with Judge Patterson, with the American Bar Association group; and Paul Newland and Carl Melton; and many others.

Also Mrs. Alfred Wolfe and Miss Melba Coutsonikas, Mrs. Edith Knight, and many of the young ladies in our office who have worked so hard and faithfully. We hope that they can all find good spots to carry on, and I know that they can.

And I do want to say that the agencies of the Federal, State, and local governments, crime commissions, and the good people everywhere have given us much encouragement in our work. It has been very revealing and I think speaks well for the future of the kind of backing that we have gotten everywhere.

Senator O'Connor.

Senator O'CONOR. Mr. Chairman, I think there is very little left to be said after the very sound and deservedly high praise which you have given to all of those with whom we have come in contact, but I do want to add just one postscript, and that is that the inspiration to this effort, successful as we think it has been, has come from the chairman of the committee.

I dare say that in the history of the Congress there has never been any single undertaking which has been marked with such splendid leadership as that which has been accorded through the Senator from Tennessee. And I do feel that we, of course, are indebted to him.

And may I say for my colleagues on the committee that their participation has been of such a high order that I feel it is going to be difficult to maintain it.

There is just one other factor, too, which I think it might be important to mention.

The citizens of this country have been shown instances of where their public officials, or where those who have served, possibly, or others, have been recreant to the trust. And there have been allegations that there have been alliances with the underworld elements.

I do feel that that is the exception, rather than the rule. And that the people of America can rest assured that by and large the people who are in executive positions and in administrative posts are doing their work conscientiously and dutifully.

We have before us today the finest illustration of that in the very capable and high-minded officials.

I think it would be unfortunate if the people of America got the impression that just by reason of a few instances that officialdom, as a whole, is anything but of the highest order.

Then, too, I feel that these citizens should realize that our task has been not to usurp local enforcement but, rather, to assist them.

We do not have the right, nor will any committee in the future have the right to go into the various localities and to usurp the role of the law-enforcement officials which, after all, must be depended upon to maintain law and order.

I do feel, in addition, that the Federal Government, when we tell the local people that it is their responsibility, cannot shirk our responsibility when there are matters which are peculiarly within the knowledge of those who are at the seat of the Central Government, but I think there is one thing that the public can well take to itself as a challenge and that is that crime is increasing, or, rather, that there are serious situations today which exist in America as have been disclosed here through the committee's functioning.

That does constitute a challenge to us all, because after all, Mr. Chairman, what we have been engaged on, I submit, is the age-old struggle of decency over lawlessness, of upright conduct of public office over corruption; yes, of honesty over dishonesty. And we are never going to be 100 percent successful in that effort, because many through the ages have tried and have not succeeded in eliminating altogether those conditions, but measurable progress can be made and progress is being made. And I think it is very heartening to note the public interest in this effort. And I think it is a salutary thing, indeed, to have the public aroused.

And my one last thought is that certainly no effort ought to command public respect and public support as that which seeks to uproot the mobsters, because when hoodlums, yes, even murderers can set themselves up as the overlords of the functioning of justice through violence or intimidation, yes, or by buying venal law-enforcement officials, then it is high time for the great mass of decent people constituting this democracy to take steps to destroy this illegal empire.

Mr. Chairman, the only thought that I would express, and this may be a little at variance with your own views or your own wishes, that is, that there ought to be a continuance of this undertaking. I am sure each and every member of this five-man committee would welcome to be excused because of the exacting duties, but as yet this entire field has not been covered as indicated in this morning's testimony regarding narcotics and also in respect to the challenge concerning juvenile delinquency.

And I merely close in saying that I think there is a great opportunity and a great obligation before the Congress of attempting to curb these illegal operations, all of which need control and correction. And I think that insofar as the other four members are concerned and the able staff that measurable progress has been made in that all-important direction.

The CHAIRMAN. That is a very splendid statement.

Now the spark plug of our committee, Senator Tobey.

Senator TOBEY. Mr. Chairman, I am not wanting to look upon this hour and this date as a time for parting greetings, even though it was said that parting is such sweet sorrow.

We are just beginning, in my judgment, our work. And we are not going to end this week or next week or next month. And the people I represent in this country, and their name is legion, 150,000,000 of them, over 7,000 have written me in the last 4 or 5 days, and 95 percent of those letters cry out and say, "Do not let this work stop."

Through the wonderful reportorial agencies of the press and of the movies and the newsreels and this magic television that we have had, the American people across the country have now a sense of the awareness of what is going on in this world.

That is a very healthy sign.

What is resulting is that a great sense of righteous indignation has arisen, which is a very healthy sign.

Now do not quash that.

Here is a sample telegram just passed to me from Detroit, Mich.:

Due to your findings to date I believe the continuance of your committee becomes mandatory in the best interests of the country. Why quit in mid-stream and provide a favorable answer to a racketeer's prayer.

It is a wonderful thing, the conscience of the people. They have seen their Government at work. They have watched the witnesses. They have seen their type of faces, whether they are telling the truth. It says, "This is America. Thank God for it."

It is a healthy thing.

If we cannot continue in toto, then continue as best we can, but do not let it down.

We have had a wonderful staff. I pay tribute to them. I rejoice in their friendship. But back of it is the most important equation in this world. People, little people, ordinary people, who love children and home, God-fearing people, who want to see this Nation purified from the wrongs and the sins brought before our committee. And I speak for them here today.

So in closing, I use this illustration: The car is running and hitting on all cylinders. There is plenty of oil in those cylinders. There is high-powered gas in the tank. And in Estes Kefauver we have got a wonderful driver at the wheel. Why take it away?

Move forward in the interests of the American people and redeem America.

The CHAIRMAN. Thank you, Senator Tobey. Senator Hunt.

Senator HUNT. Mr. Chairman, I should certainly like to associate myself with my colleagues in the compliments that they have paid to you as chairman of this committee. Your work has been outstanding. You have constantly been considerate. You have never taken advantage. You have, to my way of thinking, set an ideal pattern for future chairmen of committees to follow in their relationship toward those whom we are interrogating.

I think it was a lesson, perhaps, that the Congress needed, for we have seen in the past committees browbeat witnesses and handle them in such a way that the reaction was not good for the committee.

And so I pay you deserved compliment, Mr. Chairman.

It has been a great pleasure to be associated with you.

I assure you that I have learned some lessons.

I, too, must compliment the committee staff, from Mr. Halley through all of his various assistants, his inspectors, his investigators, and his office personnel.

Frankly, I marvel how we could on such a short time get together such an efficient staff as we have had in this investigation.

Now, Mr. Chairman, I played hooky from your committee last evening. I did so because I wanted to watch television. I wanted to see what it was that was creating this tremendous national interest where 30 million people would sit down in front of their television sets and watch their Government at work. And I think I got a lesson from staying at home last night and studying on television the faces of the men you were interrogating, as well as watching the actions of the committee.

Mr. Chairman, this committee has created what will be, I think, now a national issue. Shall investigations of this kind be carried on so that the people, as the Senator has so well said, may see the operations of their Government in action? I think it is a very splendid thing that the people throughout all of these United States have the opportunity to see just what is happening within our country.

They had the opportunity to learn that these crooks and gangsters that have been before us are muscling into legitimate businesses to a great extent. Of course, we all understand and know that they will exercise in their hotel chains, in the banks they have acquired, in the businesses they are buying into heavily, in the cleaning and pressing establishments that they practically control in toto in one big city, and all of the other avenues of legitimate business that they are getting into, they will, when they get in control, function and exercise and do the same things that they have been doing in gangland.

I think that we can take a great lesson from what we have learned in this investigation with reference to that trend.

Now, Mr. Chairman, I am rather reluctant to address myself to the question of continuing this committee. I am speaking purely from a personal standpoint.

I happen to have five committees. And I believe that I am the only Senator that does have five committees. It is absolutely impossible to be at five places at the same time at 10 o'clock in the morning when committee assignments are made and hearings are under way, which means that in devoting practically your entire time to one committee you cannot do justice to the rest of your work.

I do think there should be a continuation of the work of this, what I might term a demonstration team, but let me say to you that while, perhaps, we have hit the high spots, this work can continue endlessly for years before each and every community has a visit from this troupe that should have a visit.

So I think there should be set up, and we will so recommend to the Senate, some type of a continuing commission to carry on this work, but, Mr. Chairman, I say to you that I do not believe we can continue to be United States Senators in the usually accepted understanding and meaning of the term and continue to apply ourselves to the work of this committee as we have in the last several months.

I believe out of our work, perhaps, we have developed something that will be helpful. I believe we have, and I say this to the gentlemen assembled here before us this morning, pepped up various departments of Government where our work has covered their work. I believe, perhaps, that we have uncovered certain situations which they will now proceed against more vigorously than heretofore and that all in all, Mr. Chairman, I am very pleased that I have had the opportunity to be a member of this committee, to be associated with you and the staff and my colleagues.

That finishes my statement, Mr. Chairman.

The CHAIRMAN. Well, as chairman, I, of course, want to thank my colleagues for what they have said about my work. It has been very fine. It has been very encouraging, but that is the custom in congressional groups. And so all of us must take it with a grain of salt.

I was going to say that, Senator Wiley. Just treat that as said and go on with your statement.

The distinguished Senator from Wisconsin, Senator Wiley, who has been able to get more out of some of the people we have had before us by his unusually bright and ingenious questions than most any of us.

Senator WILEY. You made up, Mr. Chairman, for that apparent neglect, but then I agree fully with my associates on this committee that the chairman of this committee is not only an unusual fellow, but very unusual as a Democrat. He has been extremely fair. And what is more, he has conducted this committee on a very high plane. I want to be serious.

What the country has seen is Government in action, such as the country, 20, 30, 40 million of them have never personally experienced before.

It has brought to my mind the fact that this is a great educational process that we are engaged in. We are not a court. We have seen the legislature for the first time perform a function of investigation for the primary purpose of assembling facts and knowledge, so that the legislature can outline in bill form remedies.

Now that is the only basis for legislative investigation is that we may be able to get that knowledge and that information which will be the basis for legislation, but you could not stop there, Mr. Chairman.

This committee has done something else. It has alerted America. It has awakened, I think, as suggested by one witness, the women of America to their responsibilities. And as was said when you can awaken the women of America you do not have to fear about America.

It has done something else.

I think it has caused men who were gangsters and criminals to awaken. Last night one of them said, "Oh, no, I don't want my boy—I would not want my boy to follow along the line I followed; oh, no."

Then we had another chap. I will not mention names. He said the same thing a week or so ago. In other words, down deep in the very consciousness of these men, they are human. They have fallen into a way of life that they want to get out of.

This man said last night he had gone straight for years. You cannot bring that kind of a movie picture before America without recognizing that it has some salutary and spiritual force.

This committee has done something else.

It has, as suggested by Senator O'Connor, reinvigorated, I believe, the official life of America in the State and in the Nation, brought them to a sense of responsibility of what a trust job is.

We are trustees, you men who sit in front of me and we who sit here. We are trustees of the greatest heritage the world has ever known, American freedoms, the American way of life, the Judaic and Christian religions, the Republic with its checks and balances.

And every nation before that that has gone down has gone down because of disintegrating influences, termites in public life. And when those termites get to take over there is nothing left.

So this committee has alerted not only the politician and the statesman, called them to a higher resolve, told them to go forward, not backward.

It has done something else.

I think it has alerted the church people of America. We know we cannot by legislation cure immorality.

I think it has alerted, I hope, the teachers of America to their responsibility, that the generation will not be a generation of hoodlums.

I believe that it has shown that there is need for absolute cooperation between churches, Government—Federal, State, and local.

It has alerted, I trust, the newspapers of America, the radio and the television folks of America, as well as the private citizen.

Now, Mr. Chairman, just one other suggestion comes to my mind.

We are legislators. We are not primarily investigators.

I have two committees, the Judiciary and Foreign Relations, two committees that take more time than possibly any other committees. It would be impossible for one to fulfill the obligations on this committee if it was to carry on as it has. I feel it should continue, but I do not feel that this committee should take the place of legislation.

It has performed something. It might well take a recess until we could get into action in the recess period of the Congress, but I do not feel as I have said so often to my dear chairman here that we should set up this Commission. We must not delegate away Congress' power of investigation which is the basis for legislation.

So I want to say to the chairman and the other members of this committee that I am grateful to the staff, grateful for the consideration that they have shown me. It has been a wonderful experience. It has been a health-giving, spiritual experience that I shall long remember with nothing else but a feeling of being proud that I was associated with this crowd.

The CHAIRMAN. Thank you, Senator Wiley.

Mr. Halley, do you have anything to say?

Mr. HALLEY. Mr. Chairman, to you and the members of this committee, I want to offer my thanks for the honor and privilege of serving you.

To the members of my staff I want to express my great appreciation and my affection.

And to the people, the hard-working people of the press and the radio and the television who first saw the need to get across to the American public the work of this committee, I want to offer my congratulations.

Thank you.

The CHAIRMAN. Thank you, Mr. Halley.

I know, Mr. Foley, you and the gentlemen of the Treasury did not know that you were being called up to be our audience this morning. You were supposed to be called up to let us ask you some questions, and to get a report from you. Instead of that we have been telling you all about how good we are.

Senator WILEY. And we will not charge you anything extra for it, either.

The CHAIRMAN. Putting myself under the 1-minute rule, I do want to thank the members of the staff and my colleagues of this committee for what they have said about my effort as a chairman.

I think in order that there can be no misunderstanding as to my position in the matter, I should have this to say: That resolution under which we have been operating for 11 months gave us the task of finding out whether there was interstate racketeering and gambling and who protected it, for the purpose of recommending legislation to the Federal Government in the field in which we have jurisdiction.

We have held hearings in nine States where we considered the most important places to have hearings. And we have, I think, the general over-all pattern, that is, we have the factual background and the basis which the Senate told us to get for the purpose of legislation. What we have found in one city could be duplicated in other sections, maybe to a slighter degree, so that from the legislative viewpoint as of now I think that most of the other evidence we would get would be largely cumulative and just additions to what we already have.

I have always felt that the major province of a legislative committee was to get facts upon which to legislate; that is, in fact our only justification. We were given this job to do by March 31.

I have been to my native State, my home State of Tennessee very, very little. I have not had time to deal with other legislative matters and the same is true with other members of this committee.

I feel that now is the time for us to make our legislative recommendations and to try to get actions upon them, appreciating that they have to go through the gamut of regular standing committees and be considered in the Senate and then in the House of Representatives. So that unless we do make our recommendations now they will have little chance of being passed in this session of Congress. At a later time the interest might not be so great and it might be more difficult to get legislation passed.

Also, a byproduct of our inquiry, undoubtedly, has been that people have seen what the picture is. Things have been revealed to them which they did not know before. A great deal of local interest, both among the people and the local officials, has been aroused, so that I do believe now in the country there is a firm determination to blot out the big-time organized criminal and have better law enforcement, cleaner politics at all levels. I do not mean to infer that there is any great amount of corruption among political people, but any amount is too much.

That has been evidenced by the fact that in 12 or 15 cities crime commissions have been formed, grand juries have been in operation, the amount of mail we have gotten has been getting larger and larger all of the time. So that I think now has come the time when the people upon whom, after all, good law enforcement must rest must go into and they are willing to go into action.

I think it would be a mistake to let the people in any particular section get in the habit of relying upon a congressional committee to come there and wash their dirty linen or to expose facts, so to speak. They can do the big part of it themselves, but with the help that I hope we are going to be able to give them.

This is, of course, a joint endeavor, Federal, State, and local, but 90 percent of it is, of course, local.

Then I do feel, also, that there should be some method of keeping in contact with the new techniques, the new methods of gangster operations, of having some force available to study and to find out and to investigate bad situations that may arise insofar as the use of the facility of interstate commerce is concerned.

I think a properly limited and a well-selected commission responsible to Congress to operate under the direction of the Congress would be a very excellent thing. It could be set up on a basis in the first place where it could coordinate and have better cooperation in the executive

and investigative departments, and then have a means of cooperating more fully with the honest local law-enforcement officers than can be done when they have to deal with 25 or 30 departments in Washington.

Next to that, if that is not possible, I should think a joint committee of the House and the Senate, a commission with the power to name commissioners by the Speaker and the President of the Senate, to do the shovel work for the commission, would be the next best alternative.

In our situation it is simply impossible to devote the time that is necessary to this work to do an effective job.

Senator O'Connor is on five committees. I am on four. Senator Tobey is on three or four. Senator Wiley the same way.

It is hard to represent the people of our States if we spend all of our time out in the country doing something very necessary on an investigative job.

For instance, I am the sponsor of the Atlantic union resolution which, I feel, is very necessary if we are going to have peace by law or a better chance at peace by law in the days to come. I want very much to devote a good deal of time to that resolution and to other things that I am interested in.

However, I will join in an effort to try to have this type of inquiry and a general commission to keep in touch with the problem and to work with the executive departments and with the local governments go forward, but I think it should be done by a commission responsible to Congress or by a joint committee selecting very high type individuals to do the leg work.

We have gone on here too long.

I think I should say, also, that these last few weeks the public may get the impression that it is easy work when it is highly publicized, but they forget that over a period of 11 months we have had morning sessions, afternoon sessions, and night sessions, and meetings with our staff to go over what is going to be done the next day, so that it has been very, very time consuming, as you gentlemen of the press who have been with us from one coast to the other and back again so well know.

I do want to thank the television industry for bringing this hearing to the American people, and to thank the gentlemen of the movie-camera industry, the radio networks who have carried this program. I hope that you feel that you have done a good public service. And I want to thank the press photographers, the gentlemen whom we are always screaming at, but could not get along without. And I want to express my appreciation for the remarkable interest and cooperation that we have had from the press of the country. Part of the beginning of this whole idea was that a great many major newspapers joined together to pool information.

Many of us feel let down as to the possibilities of the future, and if they feel that, we can know as long as we have a great, courageous press like we have now, and men who are well acquainted with the facts and are willing to write them, like we have now, then I think our country is going to be able to compete with and to get the best of organized crime or any any other sinister influence that we have.

We will make our report, we hope, by Saturday, by working hard. And we hope that we can keep up the interest and try to secure passage in Congress of legislation that is going to be necessary. Those bills

will be considered by the standing committees. It will be a long job. It will take much patience.

Thank you all, all of you, for the help and assistance that you have rendered us.

This is the last of our open hearings. We will have a closed hearing at 2:30 in the District of Columbia Committee room.

Thank you very much.

(Whereupon, at 1:30 p. m., the committee adjourned.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

TUESDAY, MARCH 27, 1951

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The special committee met, pursuant to notice, at 2:45 p. m., in room P-38, United States Capitol Building, Senator Estes Kefauver (chairman) presiding.

Present: Senators Kefauver, O'Connor, Hunt, Wiley, and Tobey.

Also present: Rudolph Halley, chief counsel; John L. Burling, associate counsel; E. Ernest Goldstein, assistant counsel; Frank Delaney, Solicitor, Post Office Department; and Mr. Louis Doyle, Assistant Solicitor, Post Office Department; W. Y. Blanning, Director of the Bureau of Motor Carriers, Interstate Commerce Commission; Mr. Brady, Counsel, Interstate Commerce Commission; Gabriel J. Ticoulat, Director, Pulp and Paperboard Division, NPA; and Mr. Stillman, NPA; Mr. Thompson, NPA; Mr. Louis Loss and Mr. Pollock, Securities and Exchange Commission.

The CHAIRMAN. The committee will come to order.

This is an executive session. Now, if there is anyone here not connected with the committee well, let us see who is here. Mr. Amis, he is with us.

(The chairman called the roll.)

The CHAIRMAN. Well, gentlemen and lady, this is a great collection of those in the Government who have a tremendous responsibility in what we have been interested in. We wanted to have this executive session, and it will be executive, and for the benefit of the committee in trying to formulate legislative suggestions.

We feel this way about it, and I want to tell all of you, that we not only want to make proper recommendations, but we want to use whatever influence the members of this committee have in getting it, and also whatever public following we may have, to try to get behind Congress in any legislative recommendations we make.

We will have to go very rapidly this afternoon. We have the almost impossible job of finally finishing and getting a report in by Saturday.

The CHAIRMAN. Mr. Burling, will you proceed.

Mr. Burling. Yes; here are Mr. Brady and Mr. Blanning of the Interstate Commerce Commission.

The CHAIRMAN. Well, we will take the Interstate Commerce Commission first. Do you gentlemen have any hesitancy in telling the Treasury people about your business at this time of the year?

Mr. BLANNING. Certainly not.

The CHAIRMAN. Do you gentlemen solemnly swear the testimony you give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BRADY. I do.

Mr. BLANNING. I do.

**TESTIMONY OF W. Y. BLANNING, DIRECTOR OF THE BUREAU OF
MOTOR CARRIERS, INTERSTATE COMMERCE COMMISSION, AC-
COMPANIED BY MR. BRADY, COUNSEL**

The CHAIRMAN. Now, I believe Mr. Blanning has a statement.

Mr. Burling, you and Mr. Goldstein take over.

Mr. BURLING. May I have your name, please?

Mr. BLANNING. W. Y. Blanning.

The CHAIRMAN. Nobody is going to be able to hear this; I think, sir, if you would move down here that you will be able to face the witness and everyone will be able to hear you better.

Mr. BURLING. Mr. Blanning, I think the committee is interested in two general topics—

The CHAIRMAN. First, the statement, Mr. Blanning, that we appreciate your preparing, will be read into and made a part of the record at this point, and we all have a copy so that we can read it, and maybe without going into details in the statement that we can get to the point we are interested in, and we can have your general suggestions about anything else you think we might know.

Proceed, Mr. Blanning.

Mr. BLANNING. The Interstate Commerce Commission has jurisdiction over railroads, certain motor carriers, certain water carriers, and some other forms of transportation, engaged in interstate activities. This jurisdiction was conferred for the purpose, as stated in the national transportation policy, of promoting safe, adequate, economical and efficient service at reasonable and nondiscriminatory charges. The persons and corporations which were engaged in such transportation at the time the different regulatory acts were passed, were authorized to continue in business thereafter. No additional persons could begin such business and no new lines could be started without approval of the Commission. In the case of motor carriers and water carriers engaged in business when the respective regulatory acts became effective, the Commission was directed to issue certificates or permits to such carriers without a determination of fitness or public need.

In the case of subsequent applicants, however, the statute directed the Commission to issue certificates or permits upon a showing that the proposed service would meet a public need and that the applicant was fit, willing, and able to perform the proposed transportation. Certificates and permits issued to water carriers may not be revoked under the present law without the consent of the holders. In the case of motor carriers, certificates may be revoked by the Commission only for willful and continued failure to obey an order of the Commission requiring compliance with the Interstate Commerce Act, or with the terms of the certificate or permit.

There are about 21,000 motor carriers and 325 water carriers which hold certificates or permits issued by the Commission. An even

larger number of interstate carriers for hire do not require certificates from the Commission because of the type of commodities transported or because of the local nature of the transportation they perform.

The statute contains only a few prohibitions against ownership or control of interstate carriers. These merely provide that one carrier may not be controlled by, or under common control with another carrier unless the arrangement is approved by the Commission. If, however, control is effectuated either in violation of the statute or without the requisite approval by the Commission, the Commission has the power to order the offending carriers or individuals to divest themselves of such control, but it cannot for that reason revoke the outstanding certificate or permit.

The great majority of applications by persons desiring to enter the transportation business seek authority to operate in the field of motor transportation. About 1,000 applications are received each year from persons who have not previously held certificates or permits from the Commission. This is in addition to a much larger number of applications for additional rights which are filed by authorized interstate carriers.

As indicated previously, the question of an applicant's fitness is an issue in all application proceedings except those filed under the so-called grandfather clauses of the act. The issue of fitness is limited, however, to fitness in connection with the performance of motor transportation and does not embrace other activities or habits of the applicant. Evidence relating to fitness is often submitted by parties opposing the application; and on some occasions, the Commission, through its staff, offers evidence of fitness, principally concerning the operating practices of the carrier as affecting safety of operations.

Certificates and permits may be transferred, in some cases only after approval of the Commission, in other cases without specific approval. Where approval is required, such approval may be given only if the Commission finds that such transfer will be consistent with the public interest. No approval is required for transfer of stock of a carrier corporation, unless such transfer will result in common control of two or more carriers.

The Commission has revoked a number of certificates of motor carriers for failure to obey an order directing compliance with some provision of the statute or regulation thereunder. Nearly all of these cases have been premised on the carrier's failure to carry required insurance. The Commission has no power to revoke a certificate or permit, or even to order a person to divest himself of control of a carrier, because of the character of the person or because of activities which are unconnected with transportation. The Commission's jurisdiction, its investigative powers and its duties are limited to matters which affect the carrying out of the national transportation policy.

The Commission aids the Department of Justice in the prosecution of violations of the criminal portions of the acts which it administers. Investigation and prosecution of all other crimes by carriers are the function of other branches of the Federal Government and of the States.

Your committee has received evidence which involves interstate motor carriers in two different respects. There was evidence of

transportation of whisky for compensation to points in dry counties in the Southern States. The evidence did not show whether or not the motor carriers performing the transportation held a certificate or permit from the Interstate Commerce Commission. If not, they are subject to prosecution for violation of the Interstate Commerce Act. Our staff is, of course, not large enough to investigate every interstate shipment to determine whether or not it is lawfully made. It investigates whenever complaints are made, and also makes spot checks of all carriers holding certificates and permits. Very infrequently does it investigate carriers not holding such operating authority. When the investigation discloses violations of the Interstate Commerce Act, appropriate administrative or punitive action is taken. If the investigation incidentally discloses other criminal acts, the Commission may, and on occasion has, referred the facts to the authorities having jurisdiction over such matters. However, to assign to the Commission's staff the duty of investigating carriers by rail, motor, or water, to determine whether or not they are violating laws other than the Interstate Commerce Act, would require knowledge and training which our staff does not possess, and would seriously interfere with its primary duty to assist in maintaining adequate transportation. We do not recommend that the statute be amended to place such jurisdiction or duties on us.

Your committee also received evidence that a few motor carrier corporations are controlled by persons whose names have appeared in connection with the other aspects of your investigation. The Commission has no power to revoke a certificate solely because the carrier is controlled by a person who is also engaged in some undesirable or even criminal occupation, nor does it have power to direct that such person divest himself of control of the carrier. Possibly there are some situations under which it would be in the public interest for the Commission to have power to order a person to divest himself of control of a carrier for a reason other than a violation of the Interstate Commerce Act. However, the possession of such power would raise many questions: First, as to the crimes which would warrant such order; second, as to the time when such crimes were committed; third, as to the means for determining that such crimes were committed. The experience of this committee shows the difficulty of obtaining proof of the character and activities of individuals. It would be an impossible task for the Commission to make an adequate investigation of each of the thousand new applicants each year, in addition to more than 20,000 presently authorized carriers, and the larger number of stockholders of carrier corporations. Even if the Commission was required to act only after representations made by the Department of Justice or some other body, it would in effect be converted into a court for the trial of criminal issues, which is outside the field for which it was established and for which it is particularly fitted.

If your committee should determine that interstate crime is aided by the control of carriers by criminals, it would seem appropriate for your committee to recommend legislation forbidding control of carriers by such criminals, providing for certification of conviction of such criminals to the Interstate Commerce Commission, and directing the Commission to require that such criminals divest themselves of control, or of ownership of stock, of any carrier operating under the jurisdiction of the Commission. The suggestion that the criminal

divest himself of control of the carrier, rather than that the certificate or permit be cancelled, is made because revocation might have the effect of depriving the public of needed transportation.

The Interstate Commerce Commission will study with interest the reports made by your committee and any recommendations for legislation to remedy the conditions which you find to exist. If such report and recommended legislation indicates that it should be implemented by some change in the Interstate Commerce Act involving revocation of certificates or permits or a divestment of control by certain persons, the Commission will prepare and submit to the Congress such amendments.

The CHAIRMAN. Go ahead, Mr. Burling.

Mr. BURLING. Mr. Blanning, I think that this committee is interested in two matters, which seem to involve both your jurisdiction and that of this committee. The first is that this committee has found that in New Jersey the Ford Motor Co. gives, or has up until recently given its haulaway contract, which is a very valuable contract, of course, for all Ford cars manufactured in the Edgewater plant to a company which Joe Adonis is an officer of, and I think a 40-percent stockholder in.

That alone might not prove very much, but then the committee found that in Detroit or in the Detroit area, the Ford Motor Co. today, not going back to the evil days of Harry Bennett, but today it gives its haulaway contract for the River Rouge and Highland Park plants to a firm, 50 percent of which is held by a man named Tony D'Anna, who has long-time bootlegging roots, who is mixed up in at least four Mafia murders, three of them being those of his father and two uncles. When I say mixed up in it, his name occurs in it, and he himself has nothing to commend him, except that he went to jail in connection with attempting to bribe witnesses in another Mafia murder, and Mr. Harry Bennett, who apparently gave him a contract, would not tell us how it came about.

Now, what does the Interstate Commerce Commission have to say about that, sir?

Mr. BLANNING. Well, the Interstate Commerce Commission has no control over the stockholders of a carrier, unless they happen to control two carriers, that is, there is no provision of the law by which approval of the Commission is needed for a person to obtain stock of a motor carrier.

As for the motor carrier itself, in most of those cases, and I believe in both of those you referred to, the law provides that persons who were in business in 1935, at the time the act was passed, were to be given certificates or permits, without proof of fitness or public necessity, but merely on the proof that they were in business at the time.

After a certificate is given, there is no way for the Commission to take it away, except for violation of the Interstate Commerce Act.

There is nothing to keep Joe Adonis or any other person from obtaining stock of a carrier operation.

Senator WILEY. How long has this contract been in existence, and when did the criminals get the start?

Mr. BLANNING. The Adonis case, that is the Automotive Conveying Co., or some such title, were in existence, and had its contract, or at least had its business from the time the Motor Carrier Act was passed.

Mr. BRADY. In 1935.

Senator WILEY. Was he interested in the concern then?

Mr. BLANNING. Our first record is 1938, and he was at that time.

Senator TOBEY. Mr. Blanning, isn't it true that there is a traffic in buying or selling certificates across the country?

Mr. BLANNING. Certificates are sold.

Senator TOBEY. Yes, and they even advertise, don't they, in trade papers, and give specifications in offering them for sale?

Mr. BLANNING. Yes.

Senator TOBEY. Do you think that that is consistent with the proper procedure that we should have these things that are given by the Interstate Commerce Commission to John Jones and some of the others, to be turned over to these fellows, so that they can establish a bailiwick—do you think that those should be bought and sold?

Mr. BLANNING. Well, there is a difference of opinion as to whether they should be, but under the act there is no way to stop it.

Senator TOBEY. Does the Commission recommend to stop it?

Mr. BLANNING. No, they have never recommended stopping it.

Senator TOBEY. How does the Commission feel about it?

Mr. BLANNING. Well, from the decisions, which is the only way I have to judge, they approve of the present provisions of the act, permitting the transfer of the certificates.

Senator TOBEY. Well, I have never been satisfied with it.

Senator HUNT. May I ask the witness, have you suggested any legislation to correct this grandfather clause situation that you are faced with in these two specific cases we have mentioned?

Mr. BLANNING. No. It may be that they are not the only two cases that there are. The Commission has not made any recommendation for any method by which a person can be required to give up his control of the carrier, excepting in a statement you will find that the recommendation is that if the committee thinks there is any particular crime which is of such a character that the person committing the crime should not be permitted to have a motor carrier operation of any kind, then the Commission itself can recommend that its own act be implemented.

Senator HUNT. You did not happen to bring with you today any suggested legislation?

Mr. BLANNING. No; in fact, the Commission has not. This statement that I presented was approved by the legislative committee of the Commission, and they have not recommended that this committee make any recommendation as to legislation, but said that if your deliberations should convince you that there should be, or rather that a carrier should not be controlled by a criminal, there should be some general law that would forbid that control, and then the Interstate Commerce Act could be implemented to give us power to order the control out.

Mr. BURLING. Probably Edgewater is a little different case from that in which a criminal has a stock interest in a carrier.

What other carriers have you certificated that could possibly carry under the existing law the Ford Motor Co. cars away from the Edgewater plants?

Mr. BLANNING. As I understand, there is no other carrier at present authorized to transport the automobiles from the Edgewater plant

of Ford, and there have been no applications, except one that is now pending.

Mr. BURLING. Mr. Bugas, as Senator O'Connor will recall, omitted to appear before us in Detroit. He was not under subpoena, but he had a firm verbal agreement with me—and I want to stand on my honor as an attorney and member of the staff that he did have such an agreement, and he has denied it, but I would like to state that he did—to appear before your subcommittee, of which Senator O'Connor was the chairman.

At any rate, he appeared in our office in Washington and said that the Ford Motor Co. would like to have some other carrier, that they did not like the relationship with Adonis, but that there was none other certificated, if that is the correct technical term, by the Interstate Commerce Commission.

It is also worthy of note, I think, to state that we have received some very splendid cooperation from the Commission, particularly Mr. Brady, who has been working with us for weeks.

It is through the Commission that we know this.

But in 1946, a rival carrier sought a certification—no, I will withdraw that; the carrier which is owned in part by Adonis sought an enlargement of its territory.

Another carrier filed a protest, a carrier that carried Ford cars some place else, and according to our staff information, the Ford Motor Co. forced that rival carrier to file a protest—no, excuse me, I have got that backward—the rival carrier filed a protest, and the Ford Motor Co. forced them to withdraw it.

Mr. Goldstein of the staff prepared a very careful and elaborate memorandum on that, and I would like to offer it in evidence.

The CHAIRMAN. All right, it will be received and made a part of the record.

(The information referred to is identified as exhibit No. 50, and appears in the appendix on p. 762.)

The CHAIRMAN. Now, the question then is, Is it in the public interest for you to consider the criminal character of the applicant for a permit, No. 1, and second, should anything be done about those in who were brought in 1935? Do you have any recommendations to make as to that?

Mr. BLANNING. Well, the recommendation on that is that if the committee feels that a criminal of any type, whether he is a gambler or anything else, should not own a motor carrier, then the remedy is by a general law prohibiting the ownership of a carrier by a criminal, and the certification of the fact of criminality to the Commission for the cancellation of the certificate, or for the order for divestment of control.

Senator HUNT. Mr. Chairman, we are seeking information and direction. Let me ask, Has the Interstate Commerce Commission got any suggestion to make? How do you feel about it—for or against it? Give us something to start working on.

Mr. BLANNING. I don't believe the Commission has—at least the Commission has not authorized me to make for the Commission a recommendation as to whether a gambler should be prohibited from owning a carrier, or that any particular criminal should be prohibited from owning a carrier, unless his control of that carrier does something to aid his criminal activity.

Mr. BURLING. Along that line, Mr. Blanning, Mr. John Bugas, the vice president of the Ford Motor Co., in the very office of this committee, suggested that perhaps no one had applied for a competing certificate, because it would not be healthy.

Now, that is right within jurisdiction of the Interstate Commerce Commission, as I see it. I mean, is it not a problem which the Interstate Commerce Commission should deal with, that a vice president of, I suppose, one of the largest corporations in America, could sarcastically state that probably no one would wish to compete with Adonis because it would not be healthy?

I submit that that is right within your jurisdiction.

Mr. BLANNING. Well, I don't quite get the point. You mean that the Commission should force somebody to apply for it, or should do something to prevent it from being unhealthy?

Mr. BURLING. I submit, sir, that where a committee of the Senate is told by the vice president of the Ford Motor Co. that it must have its cars hauled away from its Edgewater, N. J., plant by Adonis' firm, because you have certificated no other carrier, and where it appears you have certificated no other carrier because Adonis has threatened gang force, that that is something that might well occupy your attention.

Mr. HALLEY. May I add a point there please?

Has the Commission—before which I have practiced, and I am a member of the bar of that Commission, so I think I understand that basically the Interstate Commerce Commission is not a criminal commission and has no connection with criminals—but with that preface, have you had any facts brought to bear before you indicating that in several major cities the trucking industry may be dominated by racketeers, and may in turn dominate industry dependent upon it, creating a situation whereby the population of those cities pays a toll which, when added up, means that the cost of food, clothing, and other necessities has increased?

Mr. BLANNING. We have had no evidence of that, and from my knowledge of the industry I would doubt that that is true anywhere in the United States.

Now, I would like to make this exception: That we do not have jurisdiction over local transportation inside the cities, or inside of the commercial zone of any of the cities, and I don't know what the conditions are as to local transportation in the New York commercial zone or the Chicago commercial zone; but as to interstate transportation, we have had no information that would lead us to believe that that is a condition that exists.

Senator HUNT. Well, you have no authority over intrastate certification either; do you?

Mr. BLANNING. We have none at all; no.

Mr. HALLEY. Well, for instance, do you take jurisdiction over a situation like that that was brought to the attention of this committee by the Port of New York Authority, which was unable to open its Newark terminal, not because of the activities of interstate carriers, but because when the interstate carrier deposited his load at the intrastate terminal, and the load, a continuing load in interstate commerce, coming from Newark, had to be carried into New York City, and the union then imposed certain rules which, in effect, imposed a toll on every user of the trucked goods in New York City, would

that not, in effect, be a burden on interstate commerce, and are those matters as to which you have any information—without reference as to whether you should have, do you have any information?

Mr. BLANNING. We have no knowledge, I will say, as to that existing anywhere. We have heard stories of that, regarding the New York Port Authority terminal in Jersey.

Mr. HALLEY. Well, with reference to the Commission as an operating body, do you feel that you should have jurisdiction and functions to inquire into those matters, or that they should be in another agency, and then have the usual problems of overlapping and complicated jurisdiction?

Mr. BLANNING. The Commission feels that as to any investigation of criminal activities by anybody, other than violations of the Interstate Commerce Act itself, the investigation and the proof should be in some agency other than the Interstate Commerce Commission, for the reason that the Interstate Commerce Commission commissioners and staff are supposed to be experienced in transportation, and that is their function. They do not feel that they are qualified or should be expected to be qualified to function as a criminal court.

Mr. HALLEY. Thank you, Mr. Blanning.

Senator TOBEY. May I just ask you, on page 2 of your report here or recommendation, in the third paragraph, it says that certificates and permits may be transferred in some cases only after the approval of the Commission and in other cases without specific approval.

Now, what is the distinction between those two?

Mr. BLANNING. Well, if there are less than 20 vehicles involved, or if the purchaser is not a large carrier, then the approval of the Commission is not required.

Senator TOBEY. Automatically. Then, you say where approval is required, which means more than 20, such approval may be given only after certain things are complied with.

Mr. BLANNING. That is right.

Senator TOBEY. Well, what about the multitude of carriers that have under 20 vehicles? What about the question of public interest with them? Who puts the stethoscope on that?

Mr. BLANNING. Nobody.

Senator TOBEY. And they barter and trade wherever they want to?

Mr. BLANNING. That is right.

Senator TOBEY. And the Commission is entirely out of the picture in no man's land; is that right?

Mr. BLANNING. That is right; and the purpose of Congress in doing that was that there are large numbers of motor carriers—we thought there were about 80,000, and that is how many applications we got when the act was passed, and it was thought that there should be as little interference as possible with the small motor carriers.

It was thought that the larger motor carrier—and we drew the line at 20 vehicles—should get approval because his operation affected the public interest. But as to the smaller, up to 19, it was not required.

Senator TOBEY. In other words, they may be operating against the public interest, but they can go ahead just the same, is that it?

Mr. BLANNING. That is right.

Senator TOBEY. Well, that is a rather strong statement. What is the feature of the law here, you and my friend Halley and myself, we

have each got a trucking business in the State of New Hampshire, and we want to go up through Claremont to Hanover, but we could not take a package there, so it goes all over the country. Why should there be any limitation as to where he gets his business? And this is a free country; there are no railroad tracks, and the highways are broad, why not give them the freedom to get business to build up a business under the Interstate Commerce Commission?

Now, that is a complicated question, but I think you can see the answer.

Mr. BLANNING. That was a question, of course, up to 1935, and it was to remedy that condition that this was passed.

Senator TOBEY. Well, have you remedied it?

Mr. BLANNING. To a large extent.

Senator TOBEY. Do you think it is a wise provision to shut a man out, if he wants to take a barrel of flour to a certain place and you prevent him from doing that?

Mr. BLANNING. I believe unless you have some regulation of the type of persons engaging in the enterprise and what they can do, that you would have the same chaotic condition that existed before 1935.

Senator TOBEY. Well, you have not got it in the telephone company and the railroads. They are all circumscribed. The little man cannot touch it. It is undemocratic. However, I am only thinking out loud.

Mr. BLANNING. I think there are two States in the Union that agree with you on that.

Senator TOBEY. I would like to know who agrees with me.

Mr. BLANNING. New Jersey and Delaware did, until recently.

Senator TOBEY. Well, have they gone the way of all flesh, too?

Mr. BLANNING. Yes.

Senator TOBEY. So that I am alone?

Mr. BLANNING. New Jersey regulates busses and not trucks.

Senator TOBEY. Senator—well, never mind.

The CHAIRMAN. Senator Hunt, did you have a question?

Senator HUNT. No. I think we have thoroughly covered this field in such a way that we can formulate our own ideas of some legislation we should suggest.

I think there is some in order.

I think it is unrealistic—I think it is an unrealistic position for the Interstate Commerce Commission to take, that it does not make a bit of difference who they are doing business with.

Now, if you were to get the truck industry under that same type of control, you will have the same thing that happens in all other fields of activity that these thugs and gamblers get interested in.

The CHAIRMAN. Don't you consider the moral character or the criminal record of an applicant?

Mr. BLANNING. No.

The CHAIRMAN. Not at all?

Mr. BLANNING. Not unless it will affect transportation.

The CHAIRMAN. You do not consider that a public interest qualification?

Mr. BLANNING. No; in connection with the granting of certificates the Commission has not considered it, it is not considered evidence as to the private life or private activities of an applicant so long as it does not affect transportation.

Mr. BURLING. Did I understand you to say, sir, that you were not aware of any interstate as opposed to intrastate gangsterism in the trucking business?

Mr. BLANNING. No. What I said was, I don't know of any area where the gangsters are in control of transportation.

Mr. BURLING. Yes; but you know, of course, that the automotive conveying company is owned at least 40 percent by Joe Adonis, who is probably one of the most notorious gangsters and racketeers in America.

Mr. BLANNING. We know that since the committee brought it out. However, his name on our records is not Adonis.

Mr. BURLING. Well, you knew it on March 9, didn't you?

Mr. BLANNING. On March 9?

Mr. BURLING. Yes.

Mr. BLANNING. Well, it came as a surprise to me.

Mr. BURLING. Of course, you knew it before March 9.

Mr. BLANNING. On whatever date this committee brought it out, we knew it.

Mr. BURLING. Well, George W. Laird is known to you, is he not?

Mr. BLANNING. Yes.

Mr. BURLING. Who is he?

Mr. BLANNING. Assistant secretary of the Commission.

Mr. BURLING. Well, he wrote the chairman of this committee on March 9:

In late February, our New York office further informed us that there are rumors that Nu-Car Carriers, Inc., were afraid to make any move which would incur the displeasure of the present stockholders of the Automatic Conveying Co.

And that means Joe Adonis.

Mr. BLANNING. Yes, sir.

Mr. BURLING. Well, so you do know that interstate carriers are presently being intimidated by the biggest and worst gangsters in this country, don't you?

Mr. BLANNING. So far as I know or have heard, the plural is not correct.

The CHAIRMAN. Well, you have got Jerry Catena in the Peoples Express in Newark, N. J.

Mr. BLANNING. Oh, I don't mean that we have not heard of criminals owning motor carriers. We have had no other reports of any case where the fact that a person was a criminal and owned a motor carrier had any effect on other people applying for rights.

The CHAIRMAN. Go ahead, Mr. Burling.

Mr. BURLING. But I thought you testified there was not any carrier in interstate commerce where the gangsters were doing other than owning, and that they were not affecting or intimidating anyone, but here we have a letter from your own acting secretary that the Commission is aware that Nu-Car Carriers, which is another automotive haulaway, were afraid to make any move which would incur the hostility of—and to cut short the verbiage—Joe Adonis.

Mr. BLANNING. Yes.

The CHAIRMAN. What would you do about this if you had known it, and if Adonis came in for some application to extend his operation; would it make any difference to you? Would you go into the matter?

Mr. BLANNING. If Adonis had come in, as he did, but of course before we knew that it was Adonis, but if Adonis came in and filed an application for additional rights, and he had shipper testimony showing a need, for the service, enough to convince the Commission of the fact, then the fact that Joe Adonis owned 40 percent of the stock would not, under the law, permit the denial for that reason alone.

The CHAIRMAN. I know, but would you consider his criminal record at all in the matter? Would you consider whether he was actually coercing other people to stay out of the field? Would you even go into the matter at all?

Mr. BLANNING. I believe not.

The CHAIRMAN. All right. Are there other points?

Mr. BLANNING. Yes, Mr. Chairman.

At this point it comes to me, because I happened to be a counsel in a case of *Local 807 v. United States*, when that case was tried. It appeared at least 10 years ago that if you, Mr. Chairman, had a trucking company in Chattanooga, and wished to deliver commodities in the city of New York, and your trucks went through the Holland Tunnel, that when they got through the Holland Tunnel your drivers would have to take what they call an associate driver on, at a cost of \$10, and then deliver the trucks, that is, the associate driver would ride with them to the warehouses, which were usually about four blocks from the mouth of the Holland Tunnel, and you would pay that, or if you didn't pay that you would find your drivers beaten up, your trucks upset, or other violence.

It was an allegedly legitimate union activity, because the members of local 807 said that they were entitled to drive or to sit with the driver of any truck moving in the city of New York.

That local of the International Brotherhood of Teamsters was tried in New York. Some 30 drivers were convicted. The conviction was upheld in the second circuit, and reversed in the Supreme Court under the existing law.

Now, I think it would be appropriate for this committee to ask Mr. Blanning if that factual situation still exists, and if he thinks so, should the law be changed.

The CHAIRMAN. Didn't the Hobbs law get passed and signed?

Mr. BURLING. I don't believe that any law getting at that factual situation has been signed.

The CHAIRMAN. How about it, Mr. Blanning?

Mr. BLANNING. I don't believe there is anything that prevents that from being done today.

The CHAIRMAN. Is that being done?

Mr. BLANNING. Not to the extent that it was.

The CHAIRMAN. But is it being done to any extent?

Mr. BLANNING. Yes.

The CHAIRMAN. Where?

Mr. BLANNING. In New York City.

The CHAIRMAN. Why?

Mr. BLANNING. At the time that that case arose the drivers used to meet the trucks at the mouth of the tunnel on the New York end of the tunnel.

Mr. BURLING. I might say, just to supplement Mr. Blanning's testimony, I heard all the testimony myself, and the union had a head-

quarters right facing the mouth of the tunnel, and they had a spotlight in the window, which they would shine on the drivers to scare them, and to suggest that they had better stop, or else they would be beaten up.

Senator TOBEY. Why didn't we bring this up in the New York crime hearings?

The CHAIRMAN. Well, there was so much to bring up there.

Mr. BLANNING. They probably decided that it was not a crime.

Mr. BURLING. Under the existing law.

The CHAIRMAN. What happened to the Hobbs Act, that is what it was supposed to have gotten into?

Mr. BLANNING. I am not familiar with that act. I know that it did not prevent this situation.

The CHAIRMAN. I thought it passed the House; I was over there at the time.

Mr. BURLING. I don't believe so, Senator.

The CHAIRMAN. All right. Do you have any other points, Mr. Burling?

Mr. BURLING. No, sir. I think we might try to find out what the Interstate Commerce feels, or how the Interstate Commerce feels about these particular problems. It, of course, affects Interstate Commerce about as directly as it would be humanly possible, the Holland Tunnel goes from New Jersey to New York, and we have a situation in New York where a group of men are levying tribute on those trucks.

Senator HUNT. Mr. Chairman, I might say to counsel that it seems to me that the Interstate Commerce Commission has no feeling on it one way or the other, and that it is up to us to prepare something in our report that will have some effect on it.

That is your position, is it not?

Mr. BLANNING. That is correct. The Commission's interest is not—I don't mean individually—but they do not have a feeling on the matter that you people are discussing, they feel they should be confined to the transportation end of it.

Senator HUNT. If legislation was passed by the Congress that places some responsibility on you in considering applications for certificates of convenience and necessity, and something about the "grandfather clause," said that you would go back and do some research on these applicants? Of course, you would be glad to administer the law the way it is written?

Mr. BLANNING. That is right.

The CHAIRMAN. Senator Wiley.

Senator WILEY. I have no questions, except that I tried to see through the legal maze of this thing. What does the evidence show as to how, in the first place, they got the contracts, and then they had to get the certificate from the Commission, then what does the evidence show as to what they are charging for the holding up the cars? Is there any evidence that they are getting a bigger take than any other legitimate carrier, or what is it? What is the situation?

The CHAIRMAN. I suppose they operate on a tariff, don't they? They have a tariff?

Mr. BLANNING. They have their rates filed with the Commission, their public rates, the same as any other carrier.

The CHAIRMAN. And outfits like the Peoples Express, they don't operate under particular rates, but they just do contract hauling, don't they?

Mr. BLANNING. No, Peoples Express is a common carrier and does have a tariff on file.

The CHAIRMAN. I wonder if this would be helpful, how many common carriers, for instance, Joe Adonis, do they come under the Securities Exchange jurisdiction requiring publication of the owners of stock in excess of 10 percent of the stock of the company?

Mr. BLANNING. I am not familiar enough with the Securities and Exchange Act, but I believe not. Oh, by the way——

The CHAIRMAN. How many of your carriers have to publish the list of the owners and the extent of ownership of stock?

Mr. BLANNING. All of what we call class I carriers, that is, those with a gross annual revenue in excess of \$200,000.

The CHAIRMAN. And they have to publish one?

Mr. BLANNING. They must publish a list of all officers and I believe the 10 largest stockholders.

The CHAIRMAN. Where do they publish it.

Mr. BLANNING. In the annual report filed with the Commission.

The CHAIRMAN. You don't know whether Adonis' outfit files one or not?

Mr. BLANNING. Adonis' outfit has filed an annual report since 1938. However, Adonis' name does not appear. The name, I think, is Doto.

Mr. HALLEY. Might I make a suggestion at a practical level? The Commission has always confined itself to transportation, and it really is not staffed to go into crime, but when the local authorities in a city like New York find the trucking outfits going in for racketeering practices, and when they do it is hard to get evidence to convict, in fact, they had one, and it was reversed by the Supreme Court, but if the ICC has some authority in a certain case, and local authorities developed enough interest to convince the Commission that they were racketeering practices and yet not enough to get a conviction, still some good could be done. That seems to me to be a practical suggestion.

The CHAIRMAN. What do you think of that, Mr. Blanning?

Mr. BLANNING. Well; it would mean setting up a standard. If you would amend the law to permit the Commission to turn down an applicant because of things other than crimes, then you have made a somewhat uncertain field, and at the Commission's orders all must be subject to review by the courts, and the courts can throw them out if the evidence does not support the finding, there would have to be a finding that the person is an undesirable person. Now, unless that was pretty well outlined, as to what makes a person undesirable, it would be difficult for the Commission to administer the act.

Senator WILEY. Does that apply to corporations—undesirable corporations?

Mr. BLANNING. At present it does not apply to anybody. The Commission does not have power to refuse a certificate because the applicant is undesirable, or even a criminal.

Mr. HALLEY. But other commissions do have such a task, and apparently it has been upheld by the courts. That is just plain ordinary law.

Senator HUNT. Is citizenship a qualification for a certificate?

Mr. BLANNING. No; we have a number of Mexican carriers and a number of Canadian carriers.

Mr. BURLING. I have just one further observation, that I would ask as a personal favor the chairman's permission to state for the per-

manent record of this committee that, in the case of local 807 against the United States, which I think was extremely ably tried in the district court and extremely ably argued in the circuit court, I was a subordinate of Edward J. Ennis, who I think was unfairly slurred by Mayor O'Dwyer in the course of the New York hearings.

The CHAIRMAN. Well, we are very glad to have that observation in the record.

Thank you, Mr. Blanning and Mr. Brady.

If between now and a couple of days you come up with any bright ideas, we wish you would let us know. You need not stay any longer. Thank you very much for coming.

Mr. BLANNING. All right.

The CHAIRMAN. Now, you lady and gentlemen of the NPA, will you come forward.

What is your name, sir?

Mr. TICOULAT. Gabriel J. Ticoulat.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth?

Mr. TICOULAT. I do; yes, sir.

TESTIMONY OF GABRIEL J. TICOULAT, DIRECTOR, PULP, PAPER, AND PAPERBOARD DIVISION OF NPA

The CHAIRMAN. What are you with the NPA?

Mr. TICOULAT. I am Director of the Pulp, Paper, and Paperboard Division of NPA.

The CHAIRMAN. How long have you been such?

Mr. TICOULAT. Since February 12. I have been with the NPA since January 9, but as Director since February 12.

The CHAIRMAN. All right, Mr. Goldstein.

Mr. GOLDSTEIN. Mr. Ticoulat, we have had testimony before this committee here in Washington regarding punchboards and push-cards, and the use of paper by these various industries or, rather, this particular punchboard-pushcard industry.

A witness at that time, a Mr. Lichtenstein, told us that during the previous war 65 percent of their paper was granted to them under allocation by the War Production Board, or 65 percent of their prewar usage was allowed during the wartime period by the War Production Board.

Now the committee is interested in knowing whether or not under present legislation, in the event of a paper shortage—and I understand there is not one at this time—you have sufficient legislative authority to cut the allocation of the punchboard industry for paper.

Mr. TICOULAT. An observation on what happened in the War Production Board: There was a short period of time when a number of paper products were completely prohibited, including punchboards. Very shortly thereafter it was amended, and certain grades were allocated on the basis of essentiality, and then there was a catch-all for all the rest of them, including punchboards, and all of those products were permitted to be produced at the rate of 65 percent of the base period.

Mr. GOLDSTEIN. Well, now, under present legislation, can you cut the paper allocation to the punchboard industry in the event of a paper shortage?

Mr. TICOULAT. I do not feel that we have the right to cut punchboards as an individual commodity.

Mr. GOLDSTEIN. Well let us take it as one of a group of commodities. Do you have at present legislative authority?

Mr. TICOULAT. We can restrict, or perhaps even completely prohibit, the use of certain paper commodities, if the needs of the military and the defense program require it.

Mr. GOLDSTEIN. All right. Now then my next question is, sir: In the event we do have a paper shortage, and under your present legislative authority, have you prepared or made any plans for an emergency in paper which would cut down the allocation of paper to punchboards?

Mr. TICOULAT. Not to any specific product. We have under consideration the writing up of regulations to be made effective when, as, and if necessary enabling us to take care, first, of military and defense, and then the essential industries contributing to the defense program, and then the balance will probably be left in a catch-all and allocated on the basis of the amount of paper and board that is available for the balance of unessential or less-essential industry.

Mr. BURLING. Will the publishers of ordinary books, say the publication of William Shakespeare, which is not essential to a military effort—is it? Will they be affected? Do you class that along with punchboards that are illegal virtually everywhere?

Mr. TICOULAT. Well, as a matter of fact, the grade of stock used for punchboards is entirely different, made on different machines than paper used for books or newspapers or wrapping paper or the general paper uses. They fall into the board class, made primarily and almost entirely from waste paper, excepting the facing sheet.

Mr. BURLING. As I understand you, you have only two classes, that which is necessary for the Army and Navy, or Air Force, or for the essential civilian use, and then all else, including what is socially desirable and what is obviously socially undesirable, namely, punchboards; is that correct?

Mr. TICOULAT. And that is the way in which it was handled last time, and under the advice that we have had—

Senator WILEY. Is that three classifications or four classifications?

Mr. BURLING. That is two, Senator; that which is essential to the Army, Navy, or Air Force, or the civilian military activities.

Senator WILEY. Yes; that is one. All right.

Mr. BURLING. And two is everything else.

Senator WILEY. Oh, everything else. I thought you said the other, what was essential for industry.

Mr. TICOULAT. Those contribute to the defense as being part of essentiality.

The CHAIRMAN. Newspapers are not an essential industry?

Mr. TICOULAT. Well, I would not like to say that, Senator.

The CHAIRMAN. Well, they got the same allocation that punchboards did, as I remember?

Mr. TICOULAT. I don't recall that that was so, and I don't believe it was so, Senator, but the limitation on newspapers came about as the result of the shortage of labor, primarily, because newsprint was coming from Canada as it is today, and it was not directly involved in the allocation programs here, except in a very limited way, to the extent that newsprint was produced here.

The CHAIRMAN. Don't you think in following Mr. Burling's suggestion that you ought to have three classes, one essential to the defense effort; and the second, the ordinary run of legal business; and, the third, the type of businesses which are against or which are generally prohibited by Federal or State laws, or you might classify it as illegal businesses?

Mr. TICOULAT. Well we have advice from our legal staff not to use our powers for the purpose of social or economic reforms or attempt to decide what was illegal, immoral, or unethical within our organization.

The CHAIRMAN. Who did that advice come from, sir?

Mr. TICOULAT. It came from the legal staff of our organization.

The CHAIRMAN. Who is that?

Mr. TICOULAT. Mr. Thompson is one of them, and he is present.

Mr. THOMPSON. I will be glad to speak to that, Mr. Chairman, if you would like.

Senator WILEY. Isn't the question that, if you have not done, if you run into an emergency period or a war period, isn't it advisable that, if the legislation we have got is not adequate for you to do it, we should get legislation?

I agree with Senator Hunt that what we are looking for is ideas to meet whatever situation may come about tomorrow.

Mr. TICOULAT. Under the delegation to us we are obligated to use our powers to distribute as equitably as possible amongst all the non-essential or less-essential industries, that portion that remains after military and defense has been taken care of.

Mr. GOLDSTEIN. Would you need additional legislation, assuming that you receive legal advice to the effect that it was not your duty to sustain an illegal industry, would you need additional legislation in order to carry out that opinion from your legal staff?

Mr. TICOULAT. I would want practically an order from someone topside, if I were to be the one to decide that some one specific industry was to be discriminated against.

Mr. GOLDSTEIN. But the point is that you do not need additional legislation, it would merely require an order from someone above you; is that right?

Mr. TICOULAT. I question that anyone within NPA has the right or the authority to legislate against illegitimate industry.

The CHAIRMAN. Here is Mr. Thompson. He is the legal counsel. Can't you do this without any legislation?

Do you have to give it to an illegal industry the same as you do to a legal industry?

Mr. THOMPSON. Well, when you draw the line between legal and illegal industries, I think we have no trouble. We certainly would not allocate paper knowingly to an illegal industry.

On the other hand, granted that the industry is legal, I think that there is a serious doubt as to the propriety of using an emergency given to us temporarily under the Defense Production Act to enforce a concept of social reform that might be held by some but possibly not by all members of society. It seems to me that if some particular usage—

The CHAIRMAN. Well, that does not stand up. We know that houses for commercial business are put in different categories than race tracks and things of that sort, so far as lumber is concerned. That is a well-recognized distinction, at least, in some lines.

Mr. THOMPSON. Yes, when it comes to a matter of essentiality, and there is a scarcity of any product, we certainly have the authority to restrict the use to the more essential products, and provide a greater quantity for the more essential needs, and a lesser quantity for the less essential needs.

The CHAIRMAN. The question is: Will you do it, or will you not?

Mr. THOMPSON. I don't think there is any question but what we will.

Senator HUNT. Do you know in how many States punchboards are illegal?

Mr. TICOULAT. No; I don't.

Senator HUNT. In most of them; you would be on safe ground in not allocating paper to nearly all the States for that purpose.

Mr. THOMPSON. Well, all that I am trying to say is that I do not think you ought to ask us to use a defense power to single out some particular usage in some particular material and to ban that through the allocation power we have.

When we get to a condition of scarcity, we are certainly ready and willing to withhold that material from the less essential uses and to set up a category of those less essential uses.

Senator TOBEY. Is there a shortage of paper at present?

Mr. TICOULAT. Not of any serious nature.

Senator TOBEY. Is its approach indicated?

Mr. TICOULAT. Only if certain situations occur. There is a sulfur shortage, and if something is not done to alleviate that or allocate a greater amount of sulfur to the paper industry, then there could be a shortage in the very near future.

Senator TOBEY. Who would have the right to make that allocation?

Mr. TICOULAT. That is now a matter of considerable discussion. It will be decided, I believe, in NPA, and it is coming up for consideration in the very near future, within the next few weeks.

Senator TOBEY. And how much sulfur do we import?

Mr. TICOULAT. We are not importers, if I may say, Senator, but we are exporters of sulfur at the present time.

Senator TOBEY. Then why should there not be plenty in this country, if we can export it, if there is a domestic need?

Mr. TICOULAT. The consumption of sulfur has increased tremendously in this country in the last several years. It is used by industry and agriculture for the use of fertilizer, and it is now perhaps the largest user, and it has increased three or four times in a comparatively few years.

We are shipping substantial quantities to Europe, ECA countries, and friendly nations, and there have been no known new deposits for some time, and out of a somewhat clear sky industry was informed by the sulfur companies late last year that they would have to go on allocation.

Senator TOBEY. Where is the largest amount of sulfur produced—in Texas?

Mr. TICOULAT. I think probably most of it is produced in Texas. There are means of augmenting our supplies, and everything that is possible is being done, but it takes from 12 months to 18 months in order to equip plants, such as refineries, and so forth, so that they will be able to get sulfur.

Senator TOBEY. It cannot be made synthetically?

Mr. TICOULAT. It can be recovered from waste in such quantities as to take care of the need, but it will take from 12 to 18 months to equip the plants to do that.

There are many industries working on that problem. The most serious effect will be found within the next 12 to 18 months.

Senator HUNT. Did I understand you to say that there was not a paper shortage at this time?

Mr. TICOULAT. Not of a serious nature, sir. No.

Senator HUNT. Why is it that a newspaper out at Cheyenne, Wyo., was getting paper laid down at \$120 a ton, and now from Quebec they are getting offers of \$320 a ton, Quebec, which is going to make one of my concerns spend approximately \$4,500 more a month in order to get paper since the start of the Korean War?

Mr. TICOULAT. Well, in the case of newsprint, there is being produced in the United States and Canada, and supplied to the United States at the present time, more newsprint than has ever been supplied in any period in the history of our country. So the shortage is not a shortage in production, but it is a fact that newspapers today could use more newsprint if it was available to them.

Senator HUNT. Is it due to the fact that some of the large newspapers have an elastic clause where they can order all they need, and the smaller purchaser, such as the one I am speaking of, does not have that elastic clause, and here comes the black market, jumping from \$120 f. o. b. Cheyenne to \$320 Quebec, per ton.

Mr. TICOULAT. I don't believe that is generally true. I think most manufacturers have similar contracts with all the public users with whom they have contracts. That, I believe, is a very unusual situation.

Senator HUNT. Well, I have a letter in my file from the Quebec company quoting them these prices.

Mr. TICOULAT. I think if you will take that matter up with the Publishing and Printing Division of NPA that they may be able to be of assistance to the newspaper.

Senator HUNT. Thank you.

The CHAIRMAN. Is there anything else? Thank you very much, sir.

Senator HUNT. Well, first, I think in order for us to have something to work on, I think we should have some reference in the record, or at least these gentlemen here should make note of it, but I think that we must include some recommendation with reference to this situation. We surely do not want these people to go ahead in a paper shortage and allocate paper to an illegal business.

The CHAIRMAN. That is right; of course we don't.

Senator TOBEY. So then a new paper starting up could not get any newsprint, could it?

Mr. TICOULAT. I believe they could get assistance through the Publishing and Printing Division of NPA. There is a plan being worked out there to take care of new publications, and that may come up on a somewhat informal basis, and thus far the larger newspapers have been very cooperative in one or two cases of that kind that have occurred.

The CHAIRMAN. In that connection, Senator Hunt, I thought we would get all of the suggestions of each division as we went along and in executive session with the committee and staff.

Senator HUNT. Well we did not get any suggestion there.

The CHAIRMAN. Well they don't seem to want to do anything about it very much. I believe Mr. Thompson did say that—sort of differing from you—he would be willing to make the third category of unessential businesses, or something of that sort.

Senator TOBEY. They would be treated differently from essential business.

Mr. TICOULAT. There can be a number of categories, Senator, I believe.

The CHAIRMAN. Is that what you meant, Mr. Thompson?

Mr. THOMPSON. Yes.

Mr. TICOULAT. I said that we would not pick out one industry and isolate it by itself.

Mr. BURLING. How about a category of industries, namely, illegal industry.

Mr. TICOULAT. Who will define what is illegal?

Mr. BURLING. I feel that your general counsel either can or should be able to tell you that punchboards are illegal almost anywhere.

Mr. TICOULAT. Then all we could do would be to prohibit the manufacture of punchboards; but I question any policing power—

Mr. BURLING. You should not try to go around trying to find manufacturers of punchboards.

Mr. TICOULAT. As a matter of fact, it might be of interest to know, when the board is manufactured, that the paper mill has no means of knowing what this board is going to be used for. It is then laminated, or pasted into a variety of thicknesses, and at that stage it can be used for a variety of products. It is only when it is sold by someone to someone who is going to make the punchboards that we arrive at the point where it can become a punchboard.

Mr. BURLING. Well, the emergency we may or may not be approaching yet has not arisen, but the history of the matter is that during World War II it appears that the War Production Board intentionally and knowingly allocated 65 percent of the paper used before the war to known punchboard manufacturers.

Mr. TICOULAT. It allocated 65 percent to any industry that was not in the more-essential categories, and those more-essential categories were in three or four groups. There were some that received as much as 110 percent, some 90, and some 80, and the catch-all for all other industries was 65.

Mr. BURLING. I see.

Mr. GOLDSTEIN. I might state, as to the illegality of punchboards, that our printed record of the Washington testimony on punchboards will contain a chart showing exactly those States which prohibit punchboards, and my recollection is that less than six States permit punchboards as a legal device, so that that chart will be available on publication.

The CHAIRMAN. Well, we ask your cooperation in the matter, and we will have some recommendations to make, but the sense of the committee is that you gentlemen would be rendering legitimate users of paper a great service if you would cut out this punchboard business, which uses a tremendous amount of paper.

I was literally amazed with the extent and size of the business. It is not all this box paper you are talking about. They have them on slick paper, and pushboards, and all other kinds of things.

Mr. THOMPSON. Mr. Chairman, I am sure that we are sympathetic with your point of view; there is no question about that. Neither is there any question that we can set up as many categories of relative essentiality as the circumstances may warrant. All that we are afraid of is that we might be abusing the authority given to us, if we do undertake to use these emergency powers generally to accomplish objectives that can be related pretty directly to the defense effort, and we feel that, if something is to be singled out and made illegal, then it should be done by other means.

The CHAIRMAN. All right. Thank you very much.

Now, will you gentlemen from the Post Office Department come forward, please.

Will you raise your right hand and be sworn, please.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DELANEY. I do.

TESTIMONY OF FRANK JACK DELANEY, SOLICITOR, POST OFFICE DEPARTMENT

The CHAIRMAN. Will you state your name, sir?

Mr. DELANEY. Frank Jack Delaney, Solicitor of the Post Office.

The CHAIRMAN. Mr. Delaney, there are several items upon which legislation might be considered that we would appreciate having your views on.

Mr. DELANEY. Yes, sir.

The CHAIRMAN. Is it Frank J. Delaney?

Mr. DELANEY. Yes, sir.

Mr. GOLDSTEIN. I wonder if the Post Office Department has given any thought to possibly amending the lottery laws, so as to prevent the use of mails or prohibit the use of mails for the transmittal of gambling information, as such.

Mr. DELANEY. I don't believe that that matter has been considered within the Post Office Department, generally covering gambling information.

The CHAIRMAN. Well you and somebody else were up before us in the early part of your deliberations. Who was it?

Mr. DELANEY. Oh, the Chief Inspector, Mr. Garner.

The CHAIRMAN. Yes. All right.

Mr. GOLDSTEIN. Well, I might say, sir, that the correspondence we have had has shown that people have been receiving all sorts of letters, printed matters, and so forth, inviting them to participate in lotteries, or suggesting bets on particular horses, or various sheets, tip sheets on horses, and various other gambling material.

Mr. BURLING. Specifically, Mr. Chairman, I might remind you, if I may, sir, that while we were examining Mr. Carroll—no; I believe it was Mr. Rich in St. Louis—he had a leaflet which had been distributed by the thousands, I think in every State in the Union, suggesting the placing of bets through Western Union with him in East St. Louis.

The CHAIRMAN. Yes, that is right. The testimony in that connection was that if Mr. Rich's outfit had a Western Union agent in a certain city, that the agent would furnish a lot of names, and

they in turn would mail out tip sheets, and they went to all these people and, of course, you know all those transactions and problems. Now what is your position about it?

Mr. DELANEY. Well at the present time our position has been that it is questionable whether or not such literature, advertising gambling affairs, is mailable under existing legislation. I can give you this little bit of history on that point.

The postal lottery laws make it a criminal offense to put through the mails matter connected with any lottery, gift, enterprise, or similar scheme, the language being just that that I have used, plus the following: offering prizes dependent in whole upon lottery or chance.

Mr. BURLING. May I interrupt you, when you say related to or connected with a lottery, what would the law be? Supposing I do not mail to you and offer to bet in the sense that I say I will bet you \$10 against \$2 that such and such a horse wins, but I mail you a letter saying, "If you want to bet on a horse, telegraph the bet to me." I don't say what horse, or what price, or what I am going to do about it. Now, that is the Rich picture which we got in St. Louis.

Mr. DELANEY. Well, assuming that betting on a horse is a lottery, within the postal lottery laws, the mailing of such a circular concerning the race would be a violation of it.

Mr. BURLING. Let me ask you another question. Rich and one of his partners admitted very freely mailing these circulars throughout the country.

Has the Post Office ever instituted a prosecution of C. J. Rich & Co., or any of his partners, the names of which partnership are a matter of public record with this committee?

Mr. DELANEY. Well, I have here a decision reported in 90 Fed. Sup., 624, 1950, entitled "*U. S. v. Rich*."

The defendant in that case was one Charles J. Rich and others.

Now, in that particular case the United States attorney instituted the action against Rich and others, based upon bookmaking activities through the mail.

Up to this point of time, in the Post Office Department, and also I believe in the United States Department of Justice, which enforces the criminal provisions of the postal lottery laws, it had been the view that betting on horses was not only gambling, but also a violation of the lottery laws.

In this particular case the indictment was dismissed, the judge holding that under the particular language of the postal lottery laws the scope was confined to types of gambling in which there was practically no element of judgment entering into the final result, and at the end of his opinion he points out that there is an element of judgment, a good deal of material available to form betters about the chances of competing horses, and for that reason he held that the postal lottery laws did not touch upon this type of activity.

Mr. BURLING. That is the reason I asked you about that. Do you not feel that you, on behalf of the Post Office, want to ask the Congress for an amendment to the law?

Mr. DELANEY. In order to clarify this particular question, and to see that there was no disagreement between the Department of Justice and the Post Office Department in the interpretation of these laws, I caused a letter to be prepared for the Postmaster General's

signature, which he did sign, which was transmitted to the Attorney General for his advice on this particular question.

This touches on dog-race betting, and betting on athletic events, and everything else, and if we were to follow this decision a whole line of administrative action within the Post Office Department would be overturned.

A short while ago—

Mr. BURLING. But isn't the short answer to my question, Yes?

Mr. DELANEY. The answer is, "No," because the question is being discussed with the Justice Department as to whether or not this decision is to be followed.

Mr. BURLING. Well, why should you go up a long ladder of appeals, you can appeal this to the circuit court and then to the Supreme Court, but would it not be shorter to ask this committee to offer an amendment to the lottery laws which might become the law of the land within a few weeks, taking care of the problem?

Mr. DELANEY. Well, I don't know how long it would take this committee to get the law amended, and it might be in the course of this discussion with the Justice Department, which is very current, I might add, it might be, I had thought that it might be possible to revert to the former interpretation, so that the Post Office and the Justice Department would enforce against bookmaking activities in the same manner in which it enforces against raffles.

I will grant you that if that was done there would still be a question, in view of this decision, as to the correctness of it.

Mr. BURLING. That decision is an interpretation of the law. An interpretation of the law that Congress enacts. It is not—or is not the simple answer to have Congress clarify the law so as to enforce the position which you have taken up to now?

Mr. DELANEY. I personally believe that it would be a very desirable thing, because as this now stands we are enforcing against the American Legion and the Elks and religious charities in connection with their little local raffles, and we are not touching Nation-wide bookmaking.

Mr. BURLING. I might say, if I may, Senator Wiley and Senator Hunt, that the testimony in St. Louis brought out the fact that one firm, C. J. Rich & Co., was doing a \$5,000,000-a-year bookmaking business, almost all of which came from a radius in excess of 100 miles from the place of origin.

Senator WILEY. I understand, Mr. Witness, that your conclusion is that if the matter can be clarified legislatively-wise, that that is, in your judgment, the thing that should be done.

Mr. DELANEY. Yes, sir.

Senator WILEY. O. K.

Mr. GOLDSTEIN. The next question we have, which is very much in line with the first one, sir, is whether or not at the same time it might also be advisable, in view of the fact that an amendment to the lottery laws in itself would not abolish the use of Western Union, say at this point, to make it illegal to transmit through the mails money, checks, or other obligations in payment for wagering activities? We have had a Mr. Brodson testify as to his million-dollar-a-year betting business, in which the mails were used almost exclusively for transmitting either cash or checks.

Mr. DELANEY. We do have such legislation relating to lotteries, as a companion statute to the one we were discussing before, and it could be amended accordingly.

Mr. GOLDSTEIN. There should be, then, this law amended to be brought into line with the law that we should have for the lottery laws themselves?

Mr. DELANEY. Yes.

Mr. GOLDSTEIN. Finally, just as a matter of information, because I think it is presently covered by statute, it has come to the committee's attention that the mails are still being used for the purpose of distributing push cards, the type where you write down a girl's name, and you have these slots that you pull open to find out who the winner is, we wondered what the enforcement activities were in that line, sir?

Mr. DELANEY. We have taken the position that the distribution of these punchboards by people who retain an interest in their use is in violation of the lottery laws. That is a rather new position taken by me. It was never taken within the Department before.

The first case testing that position is presently before Judge Holtzoff in the District court.

Now, so far as the sale through the mail of punchboards by themselves, in which the seller retains no interest in the proceeds resulting from their use, we have no chance to regulate that under existing regulations.

The CHAIRMAN. Well, should we have legislation? I understand that if the Sacks Co. mails me a punchboard, there is nothing you can do about it, but if they mail me one to sell to Senator Hunt or Senator Wiley, or mail me one which I put around and operate myself, then you do prohibit them; is that it?

Mr. DELANEY. Yes. The typical instance of the use which is prohibited occurs when a company gets a list of grammar-school and high-school students, and circularizes them with a punchboard offering them a prize similar to the one which the winner from the punchboard will receive, if the punches are sold and the proceeds remitted to the seller.

Now, answering your question, Senator, I will have to speak for myself personally on that. I do personally believe that an instrument of gambling which cannot be used for any other purpose is as illicit in the mails as a circular advertising gambling.

The CHAIRMAN. That is a fair answer.

Mr. GOLDSTEIN. I have no other questions.

Mr. BURLING. I would like to say that while you were out of the room, Mr. Chairman, I as examining, perhaps it seemed to be in a hostile manner, and that was for two reasons, one was a great hurry, and the other was that in this committee we get used to examining witnesses in that way. We do not think the record would show, and I would like to state as my opinion that the Solicitor's office in the Post Office Department has suddenly, I think, in an upsurge, they are trying very hard now to enforce what laws they have. They are having some bad luck in the courts, but I personally think they are right and the courts are wrong, but at any rate I meant nothing by the tone of my examination.

Mr. DELANEY. And I took no offense whatsoever.

The CHAIRMAN. Well, Mr. Delaney, we all like you; we have had a lot of dealings with you, and you have splendid investigators in

your Department. Do you get all of the investigators out of Congress that you ask for?

Mr. DELANEY. I believe that this last provision bill reduced our provision for the Department in such a way as to limit our inspection staff, that is, to deny an increase of 200 inspectors who were asked for; I think we were given enough money for 25, and we sought 200 additional.

The CHAIRMAN. How many do you have?

Mr. DELANEY. Close to 500.

The CHAIRMAN. And you asked for 200 additional.

Mr. DELANEY. Yes, sir.

The CHAIRMAN. Senator Hunt.

Senator HUNT. No questions.

The CHAIRMAN. Senator Wiley.

Senator WILEY. No questions.

Mr. BURLING. May I ask one further question?

The CHAIRMAN. Yes.

Mr. BURLING. What is the average in duty, not age, but how many years is the average inspector with the Department, if you can tell us, approximately, by the time he gets to be a postal inspector?

Mr. DELANEY. I could not answer that.

Mr. BURLING. Would you agree with me that it is between 20 and 30 years with the Department?

Mr. DELANEY. Well, in my experience I would have to guess, but I would guess that that is a little lengthy. The postal inspectors are drawn from post-office clerks, generally the most ambitious and able people working in post offices, and, of course, there is a tremendous number of people to draw from there. I think they are not too old, in general, when they do become inspectors.

Mr. BURLING. Again I was not examining hostilely, but I was endeavoring to put on the record the fact that I think man for man the men with the greatest experience and the finest investigators on a man-to-man basis are the postal inspectors.

Mr. DELANEY. I appreciate that very much. That is my own personal opinion as well. There is a very fine morale.

The CHAIRMAN. Well, we think we have got a lot of good inspectors in the departments. We have got a lot of good ones and a few bad ones.

Mr. DELANEY. Thank you.

The CHAIRMAN. Now, Mr. Loss of the SEC, and Mr. Pollock, will you raise your right hands and be sworn.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Loss. I do.

TESTIMONY OF LOUIS LOSS, SECURITIES AND EXCHANGE COMMISSION

The CHAIRMAN. Will you tell us how to combat organized or unorganized crime?

Mr. Loss. In a sense. I have no prepared statement, Mr. Chairman.

Senator HUNT. Where are you from?

Mr. Loss. I am Associate General Counsel of the Securities and Exchange Commission. May I state for the record that we are against organized crime.

The CHAIRMAN. Yes, sir. Let the record show that Mr. Loss is against organized crime.

Mr. Loss. I have no prepared statement. I am not too sure what you want with us, but I will try my best to answer any questions you gentlemen may have, and I think there are one or two things you may want to know about.

Mr. BURLING. Mr. Loss, I think the first thing we are interested in is infiltration into legitimate business, and one question in connection with that is: Under what circumstances are corporations required to list with you for public record their stockholders?

Mr. Loss. Well, that is a simple question to answer.

Today, there are three categories of companies that are required to submit reports if a company lists its securities on a national securities exchange, such as the New York Stock Exchange or any one of the 15 or 16 smaller exchanges throughout the country, then it must register their stock or bond issues with the Securities and Exchange Commission, and they must list every officer or every director of the company, or rather every person that owns a beneficial interest of at least 10 percent of any stock—not bonds, but stock of the company that is registered.

Those three categories must file with the SEC a report of their holdings of all the stocks, whether listed or not, in that company, and during any month in which they buy or sell they must by the 10th day of the following month file a report.

A similar requirement, under act of 1935, to register holding companies in the gas and electric field, whether or not they are listed on an exchange, and under the Investment Company Act of 1940, to register investment trusts and investment companies, again whether or not they are listed. That does not apply to other companies, no matter how large or widely distributed their stocks may be, if they do not happen to be listed or are not utility or investment companies.

Mr. BURLING. You have no official way of knowing who the stockholders of the Ford Motor Co. are, for instance?

Mr. Loss. None whatever, I am sorry that Senator Tobey left, but he was subjected to about 3 hours of my testimony before a subcommittee on the Frear bill, a bill which the Commission very much wants, which we think would supply a fill-in for a very serious gap. We had not thought of it in terms of organized crime, but one of its incidental effects may be in that field.

We think that it is unfortunate that the law today limits this type of report to listed companies, and in a nutshell the bill—

The CHAIRMAN. What did you call the bill, the Fir bill?

Mr. Loss. No, Senator, the Frear bill—Frear of Delaware was the chairman of the SEC subcommittee of the Banking and Currency Committee which handles our legislation.

In a nutshell, the bill would require these requirements of all companies engaged in interstate commerce, if the company has \$3,000,000 of assets and 300 securities stockholders. Those are arbitrary limits, which we thought would divide the companies between companies with a public interest and those that are privately owned.

Mr. BURLING. I presume you are aware of the committee's interest in the Automotive Conveying Co.

Mr. Loss. I learned something about it while sitting here this afternoon.

Mr. BURLING. The Frear bill, I take it, would not help in that situation?

Mr. Loss. If the Ford Motor Co. has 300 security holders——

Mr. BURLING. No, this is the Adonis outfit.

Mr. Loss. Well, any company, whether a carrier or any other company, which had 300 security holders and \$3,000,000 of assets, would be covered by the Frear bill. It is not covered today, unless it chooses to list its securities on a stock exchange, and we have no way whatsoever to require a listing.

Mr. BURLING. In the Adonis situation, I believe there are four or five security holders, as I remember, and there are about a half million dollars in assets.

Mr. Loss. Then, it would not be covered by the bill. We have not asked for, and I don't think we should ask for, legislation which would submit to SEC supervision companies which are privately held by 5, 10, 50, or 100 people, because there are too many of them we think in this great and tremendous country, and we would have a lot of work cut out for us if we covered all of those.

Mr. BURLING. In other words, you would make a negative recommendation against legislation that would get at something like the Adonis problem, or the D'Anna problem in Detroit?

Mr. Loss. I am talking now in terms of industry generally.

If you wanted to give the SEC some sort of special legislation to require reports where there was some indication of criminality, and so on, we would do our best to help you frame such a standard, I am sure. But I think it would be unfortunate to drag in all of American industry in order to hit this problem.

I think you ought to try to define it.

The CHAIRMAN. Let's see now. Your suggestion is that where there is an ownership or officers of a gangster classification, that you might have them file a report. How would you know that?

Mr. Loss. Well, that is another problem. Even today, if Adonis could or some other company controlled by a gangster happened to be listed, we would have to assume that the gentleman would want to obey this law and file a report. That is the only way we could know what his holdings were.

Of course, we have to force this requirement today, when we find that somebody does not file and should, and we proceed against him by injunction and mandamus and so on.

One difficulty about any kind of law which requires criminals to register, I suppose it assumes that they will obey the law or there will be ways to make them obey it.

Mr. GOLDSTEIN. With the type of registration you now have or which is contemplated in the Frear bill, supposing stock ownership should be registered in a false name, would the false name, or street name as it is called, be proceeded against?

Mr. Loss. Under the law today, and as contemplated by the Frear bill, the test is that of beneficial ownership, and if there are 300 beneficial owners under the Frear bill today, it is the beneficial owners, not the record owners, who must file the reports.

The CHAIRMAN. What is the purpose of the Frear bill, to apprise the public of who the owners of the corporations are?

Mr. Loss. Partly that, Mr. Chairman. Today, there are a number of results that follow from listing on an exchange. One is that we

get annual reports, annual financial statements from the companies; another is that proxy solicitations are subject to SEC rules, and, third, we get reports if one of these officers, directors, or 10 percent stockholders make a profit from in-and-out trading in less than 6 months, that that profit must go to the corporation.

Our thought is that if those reports are valid, and we think they are, but if they are sound, then it makes no sense to say that they shall apply to a company which is listed, and not to the Aluminum Co. which does not choose to list. If they are sound, they should be held to apply to all publicly held companies. That simply is a criterion that was handy, and it was picked in 1934.

We think today we have got a better criterion in this \$3,000,000 and this 300 figure which we suggest.

The CHAIRMAN. As you so well know, there is quite a tendency today of these racketeers who made money out of the prohibition era, or some other era, or gambling, or some illegal practice, to get their cash together and particularly where they can put some in and get control of the corporation to infiltrate in, and many times they use the same method of intimidation and coercion as they did before. Now, how can we get at it? How can you get at it through the SEC, if you had authority to do so?

I mean, manifestly, you cannot always stop them. But by what methods, by publication, or by some deterrent, what can you do?

Mr. LOSS. Under existing laws, Mr. Chairman?

The CHAIRMAN. Under existing laws, I don't see there is much you can do.

Mr. LOSS. Yes, occasionally, even under the existing laws. I can mention one or two cases.

The CHAIRMAN. What authority can Congress give you so that you can really do something about it?

Mr. LOSS. Well, that is a difficult question to answer offhand. I would be very glad to give it some thought and get in touch with you, even before the end of the week if at all possible.

It would be a difficult thing to find out who controls every corporation, for example. We now have many occasions to determine who controls what corporation. They are always difficult questions of fact. Again, if the corporation lists or registers, or if registers in connection with a new issue of securities under the Securities Act of 1933, then we require a complete disclosure, but as to who controls it, we do a pretty effective policing job of doing that.

But when you get the Adonis-type of companies with only a few stockholders, if they do not choose to go to the public for new money, then I don't know; offhand I cannot think of a way in which the SEC could tackle it.

Now, it might be that a little thought would help that.

Mr. BURLING. In support of what the witness is saying, I might observe that at one point I was associated with the litigation in the General Aniline & Film Corp., which was investigated by the Alien Property Custodian. Many years have been devoted to that litigation by the Government, and the Government's exhibits now number something like 60,000, and it is a question of who controls what.

Mr. LOSS. It is just the nominal, and if I may I would like to point out that in December of last year we got from the Department of

Justice, indirectly through one of the United States attorneys, a list of approximately 130 persons of shady character, the type you have been examining, and we checked those names against all of our files; we checked them against all of our investigation files, and we checked them against these ownership reports, and we checked them against what we call our securities violations file. We have a central file, something like the Federal Bureau of Investigation file, limited to securities violations, Federal, State, and Canadian, in which we have quite a few thousand names, and we found nothing on anybody in that list, with one exception, and that was that the name of Erickson cropped up in connection with an investigation which resulted in a litigation some years back. It seemed that he was getting some sort of commission from a race track up in Massachusetts for placing lay-off bets.

We were not investigating that, but we were investigating to see whether some people had been in violation there. We did get an injunction when they went into the race-track business. With that one exception we found nothing on any of the names. That, I think, is perhaps significant, sir, because it indicates that if you were simply to even pass the Frear bill in its present form, I am not sure that you would pick up anything about these sorts of people.

Mr. BURLING. The only question I was going to ask, if I may, is whether or not the Frear bill is desirable, and I know nothing about it.

Have you any reason to suppose that it is in any way relevant to the field of inquiry of this committee?

Mr. Loss. Not substantially.

Mr. BURLING. Thank you.

Mr. Loss. Insofar as some of the characters you are interested in may control companies that are now widely held but unlisted, we would perhaps get information that we would not have today. To what extent that is true, I have no way of knowing.

The CHAIRMAN. Senator Hunt, do you have any questions?

Senator HUNT. No questions.

The CHAIRMAN. Senator Wiley?

Senator WILEY. No questions.

The CHAIRMAN. Well, Mr. Loss, you think it over some more, and then be back and tell us about it, if you have anything you think will help us.

Mr. Loss. We just got the call yesterday afternoon, and we have not had too much chance to think about it.

Mr. BURLING. Our staff would appreciate it very much. Mr. Loss has been very kind to come here.

Mr. Loss. I was very glad to do so.

(Whereupon, the committee proceeded into executive session, which was adjourned at 6:40 p. m.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

TUESDAY, MARCH 27, 1951

UNITED STATES SENATE,
SUBCOMMITTEE OF THE SPECIAL COMMITTEE
TO INVESTIGATE ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The subcommittee met, pursuant to call, at 3:30 p. m., in room P-36, the Capitol, Senator Herbert R. O'Connor presiding.

Present: Senator O'Connor.

Also present: Joseph L. Nellis and Downey Rice, counsel.

Senator O'CONNOR. The committee will come to order, please.

Mr. Brink, do you mind standing?

In the presence of Almighty God, do you swear the testimony you shall give, will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BRINK. I do.

Senator O'CONNOR. I might, in calling this executive session to order, state for the record that pursuant to the resolution, duly adopted, the chairman of the committee, Senator Kefauver of Tennessee, has designated the temporary presiding officer, the Senator from Maryland, to conduct this meeting as a committee of one; so that the committee is duly constituted and is now in session.

Mr. NELLIS. That was by resolution of the full committee.

Senator O'CONNOR. That is right, and has been so designated.

TESTIMONY OF JAMES H. BRINK, COVINGTON, KY., ACCOMPANIED BY SAWYER A. SMITH, ATTORNEY, COVINGTON, KY.

Senator O'CONNOR. Just for the purpose of the record, will you give your full name, please.

Mr. BRINK. James H. Brink.

Mr. SMITH. May I make a brief statement?

Mr. James H. Brink is called here and he is testifying under compulsion. He wishes to claim the immunity provided for in title 18, section 3486, United States Code, Annotated, which provides for immunity against the use of his testimony in any previous, in any succeeding case or proceeding of any character, kind, except in cases where the charge is perjury on this hearing.

Mr. NELLIS. Or contempt.

Mr. SMITH. Yes.

Senator O'CONNOR. Your point is duly noted.

Mr. SMITH. I assume you have it. I make the point, and leave it with you.

Now, one other objection. This inquiry is—there is no reporter—I will make it right to the point. This inquiry relates to violations of law or laws in the various States and the interstate connection therewith insofar as the transactions about which this witness may be asked to testify, it relates to gambling, the gambling laws in the State of Kentucky.

I do not wish to burden the committee, but I call the committee's attention to the fact that any question which relates to gambling that would incriminate Mr. Brink within the past 5 years should not be asked him, and I have advised him, as his attorney, that he has a right to decline to answer on the ground that his evidence may tend to incriminate him, and the statute of limitations in the State of Kentucky as to these gambling statutes is 5 years, and I will read it to you:

Any prosecution or other action arising under Kentucky Revised Statutes 436.20 to 436.30 shall be commenced within 5 years after the commission of the offense or the cause of action.

I am aware of the fact, Senator, that that is a State law and you have had that question before you. But it is applicable, I think, because the sole inquiry here, so far as the violations of law are concerned, relates to gambling. In other words, the basis of your whole inquiry—

Mr. NELLIS. May I interrupt?

Senator O'CONNOR. Yes.

Mr. SMITH. Surely.

Mr. NELLIS. You are making an assumption which I do not think is a fair one.

Mr. SMITH. If it is not right, I just make it, and if you want to answer it—now, that is—there is a question, and a serious question, about the right of a witness in the United States Court to claim privilege because it might incriminate him in a State court, but this is an exception on the ground that this whole thing is based on the alleged violation of State laws, and the very law that he will be asked about—I say frankly to the court that Mr. Brink is not going to—he has had advice, and knows what he is doing. I make the point.

Here is one that is serious. Mr. Brink is to be asked, I assume he will, about moneys that he has received, benefits from the Lookout House, which is a perfectly legitimate place of business, and I say frankly to the chairman, so far as the Dinner Club is concerned, the night club, and the operations and the shows—but Mr. Brink may be required to answer about other acts which constitute violation of law, and he is entitled, if he wishes—he is the witness, I am not, he is entitled to claim that right to not incriminate himself for this reason:

Mr. Brink—If I am wrong, you correct me, I don't want to be wrong—I am not a tax lawyer, I am a trial lawyer, I was advised on yesterday that Mr. Brink's income-tax returns are under investigation for the past 5 or 6 years.

Mr. BRINK. Nine years.

Mr. NELLIS. Who advised you, Mr. Smith?

Mr. BRINK. Mr. Dan Taylor, my tax lawyer.

Mr. SMITH. I don't handle the tax-law matters. I assert that.

Senator O'CONNOR. In other words, I assume inquiries of his tax lawyer would be—

Mr. SMITH. I wanted to find out. I didn't want to hurt anybody's case. Now, if he is asked about things that will require him to answer about his income, his income-tax returns, while this is under investigation, Senator, it is important for this reason. Let me explain. I am not guessing. I was district attorney for 12 years. I know how these things are handled. That is already in the hands of the Intelligence Department, the Income Tax Unit. You know what that means.

Mr. NELLIS, May I say I have no intention of inquiring into Mr. Brink's personal income-tax returns, so that problem is moot.

Mr. SMITH. I have no way of knowing.

Mr. NELLIS. If you will permit us to proceed, I think we can get along.

Mr. SMITH. I promised you I would. I don't want to interrupt the hearing. I make the point. I ask the Senator as a judge if he raises that point, to protect him against it, because I believe—of course, you can find out—I believe those income-tax returns are now under investigation as fraudulent, and if he is required to answer them, the constitutional provision is gone.

Senator O'CONOR. I might say in that very connection—and counsel, of course, already stated his attitude in previous instances—in our public and executive hearings, and I have in mind specific witnesses, where it was evident that their income-tax returns were under active investigation at the time, counsel refrained from referring to that because it was thought to be advisable to keep off that subject.

Mr. SMITH. I want to be fair with the counsel for the other side. All that I know on this is information which I received, which I believe to be true.

Senator O'CONOR. Counsel, incidentally, we will be delighted to have you file the memorandum, if you wish, in regard to any authorities, and we will be delighted to have it incorporated in the record, or if you feel you have amply covered the points verbally, we will let you be the judge as to which is the preferable manner.

Mr. SMITH. This was made for my own use. I will file it.

Senator O'CONOR. Very well.

(The memorandum referred to above is to be found in the files of the committee identified as exhibit No. 51.)

Senator O'CONOR. For the benefit of the record, your full name is—

Mr. SMITH. Sawyer A. Smith, and I am a lawyer at Covington, Ky., and practice in the State and Federal courts.

Senator O'CONOR. Very good. We are very glad to have you here.

Mr. SMITH. And I represent Mr. Brink only in the trial cases of court, and his other matters are all handled by somebody else.

Senator O'CONOR. Very good. You have very fairly and very intelligently presented the points you have in mind, which may or may not come up, you know; so that counsel may proceed and we will meet any issue as it is presented.

Mr. NELLIS. I would like to state for the record one important fact concerning the legal points raised by Mr. Smith.

Mr. Smith, are you familiar with the Blau case in the Supreme Court of the United States?

Mr. SMITH. Not that case.

Mr. NELLIS. Or the Hitchcock case?

Mr. SMITH. *Counselman v. Hitchcock?*

Mr. NELLIS. Yes.

Mr. SMITH. I am very familiar with it.

Mr. NELLIS. Both those cases support the view the committee has heard so often—namely, that the witness cannot refuse to answer questions before a congressional committee on grounds of self-incrimination where the offense involved a State offense. He can only refuse if his answer would tend to incriminate him in his mind of a Federal offense.

Now, Mr. Brink, you didn't give your address for the record.

Mr. BRINK. 2720 Dixie Highway, Lookout Stud, Covington, Ky.

Mr. NELLIS. Now, Mr. Brink, you bought Lookout House before repeal, did you not?

Mr. BRINK. No; after repeal.

Mr. NELLIS. Will you tell me about that?

Mr. BRINK. Approximately 1933.

Mr. NELLIS. 1933?

Mr. BRINK. That is correct.

Mr. NELLIS. And you and your father bought that together?

Mr. BRINK. No; I bought it myself and later on my father came in. While he was with me, he didn't have a financial interest in the beginning, it was sometime after, within a year or two.

Mr. NELLIS. He did have financial interest at one time?

Mr. BRINK. That is right, and he still does.

Mr. NELLIS. You bought that from Pete Smith?

Mr. BRINK. No; you are misinformed.

Mr. NELLIS. Who from?

Mr. BRINK. Security Savings Bank.

Mr. SMITH. May I suggest this? Bill Hill owned it.

Mr. BRINK. I bought from Security Savings Bank.

Mr. SMITH. You are entitled to explain that. They have Pete Smith in mind.

Mr. BRINK. No.

Mr. NELLIS. Were you in the rum running and bootlegging business before repeal, Mr. Brink?

Mr. BRINK. In a very—in the whisky business, the bootlegging business, a very minor way.

Mr. NELLIS. Your father, too, was in that business, was he not?

Mr. BRINK. I believe so.

Mr. NELLIS. And, in fact, he did time in the penitentiary?

Mr. BRINK. I can't answer that.

Mr. NELLIS. You don't know whether your father did time in the penitentiary?

Mr. BRINK. No.

Mr. NELLIS. Did you ever do any time in the penitentiary?

Mr. BRINK. No; I didn't.

Mr. NELLIS. Who were your partners in the bootlegging days?

Mr. BRINK. I didn't have any partners.

Mr. NELLIS. How did you operate briefly? Where did you buy your liquor? Who did you sell it to?

Mr. BRINK. I bought it locally and sold it, a few cases only, in an interval while I was in different businesses, getting out of—

Mr. NELLIS. Keep your voice up. I didn't get the last.

Mr. BRINK. I did a little, you might say, bootlegging in an interval between the time I was in some other legitimate business and an interval between opening and closing, buying and selling some other businesses.

Mr. NELLIS. You originally were from Cleveland, were you not?

Mr. BRINK. No, sir.

Mr. NELLIS. Where?

Mr. BRINK. Cincinnati, Ohio.

Mr. NELLIS. You never resided in Cleveland?

Mr. BRINK. No, sir.

Mr. NELLIS. Did you know your subsequent partners—Kleinman, Rothkopf, Dalitz, or Tucker—while you were in the bootlegging business?

Mr. BRINK. No, sir.

Mr. NELLIS. Did you ever do any bootlegging business with any of those gentlemen?

Mr. BRINK. No, sir.

Mr. NELLIS. Do you have a criminal record?

Mr. BRINK. No, sir.

Mr. NELLIS. Have you ever been arrested?

Mr. BRINK. I have been arrested.

Mr. NELLIS. What offense?

Mr. BRINK. I have been arrested or rather indicted and arrested in 1943, I believe it was.

Mr. NELLIS. What was the charge?

Mr. BRINK. On a charge of failing to keep records—namely, 52-A and B.

Mr. NELLIS. Alcohol Tax Unit?

Mr. BRINK. Alcohol Tax Unit charge.

Mr. NELLIS. What became of that charge, Mr. Brink?

Mr. BRINK. I went to trial on that, and I believe it was the spring session of court, and there was seven counts to the indictment, and five of them I was acquitted on and two of them I was convicted on, and I spent 7 weeks—

Mr. SMITH. The jury found you guilty.

Mr. BRINK. The jury found me guilty. I spent 7 weeks—as it turned out, illegally—in jail waiting for the court of appeals to pass their decision. They released me, found that the trial was very improper, and I went to trial again in the Federal court at Covington and was acquitted.

Mr. NELLIS. Have you ever been arrested on any other occasion, Mr. Brink?

Mr. BRINK. I think in 1934—I don't know whether it was an arrest—I pleaded guilty to an operation of slot machines.

Mr. NELLIS. Obviously there was an arrest. You pleaded guilty.

Mr. BRINK. No; it is a misdemeanor, and I pleaded guilty to it—a misdemeanor. I wasn't arrested. I made an appearance in court.

Mr. NELLIS. Did you have slot machines?

Mr. BRINK. Yes.

Mr. NELLIS. You were in the slot-machine business?

Mr. BRINK. No, I wasn't at that time.

Mr. NELLIS. Tell me how you had them.

Mr. BRINK. I had slot machines in the Lookout House, and they belonged to somebody else, and the party went out on me, and I paid the fine.

Mr. NELLIS. For many years the Lookout House has been a very notorious gambling establishment; hasn't it?

(Witness hesitates.)

Mr. NELLIS. There is no need to be coy about it. We know the facts.

Mr. BRINK. I am not trying to be coy.

Mr. SMITH. He will answer direct questions.

Mr. BRINK. I want to get along with you.

Mr. NELLIS. We are getting along splendidly. It is a notorious gambling establishment and has been for many years?

Mr. BRINK. We have had gambling for many years.

Mr. NELLIS. And that is also true of the Beverly Hills Country Club; is it not?

Mr. BRINK. I could say "Yes."

Mr. NELLIS. And it is also true of the Yorkshire Club; is it not?

Mr. BRINK. Yes.

Mr. NELLIS. What other clubs besides the three I have mentioned have you ever had an interest in?

Mr. BRINK. In the Kentucky Club.

Mr. NELLIS. That is in Newport?

Mr. BRINK. That is in Covington.

Mr. NELLIS. In Covington, and for how many years did you have an interest in that club?

Mr. BRINK. Oh, ever since it has been open.

Mr. NELLIS. That is approximately 15 years?

Mr. BRINK. Oh, no.

Mr. NELLIS. How long?

Mr. BRINK. I would say seven or eight maybe.

Mr. NELLIS. All right. Now, who are your partners in the Lookout Club?

Mr. SMITH. You say now?

Mr. NELLIS. Let's say 1949 and 1950.

Mr. BRINK. Let's be specific, because there has been a change.

Senator O'CONOR. Feel free to make very clear what year you are referring to and make any qualification you wish as to names at a certain time, and then correct it with regard to another time. Feel perfectly free.

Mr. BRINK. I feel it is informal, and I will treat it that way.

Mr. NELLIS. It is not informal, I want to correct you.

Mr. BRINK. It is for the record.

Senator O'CONOR. It is not a question of where you feel you are prevented from giving an explanation. You might give an answer which might appear, unless you make some explanation, that it is a different state of facts from what you want it to be. So feel free to explain that.

Mr. BRINK. I understand.

Mr. NELLIS. It is a regularly constituted hearing of this committee, and I want you to understand that it is a formal proceeding.

Mr. BRINK. We understand it is formal; that we are not under the television lights.

Mr. NELLIS. Nothing personal about it. Proceed.

Mr. BRINK. In 1949, I believe you said.

Mr. NELLIS. Yes.

Mr. BRINK. I think—in fact, I know I—it was Marion Brink, my wife—and this is the Lookout House?

Mr. SMITH. No, the Kentucky Club.

Mr. NELLIS. Lookout House.

Mr. BRINK. Marion Brink, my wife; B. W. Brink, my father; the Carr brothers; and Morris Kleinman.

Mr. NELLIS. Pardon me. You mean Charles V. Carr?

Mr. BRINK. He is dead.

Mr. NELLIS. He is dead now?

Mr. BRINK. Yes; his brother. It was always Charles V. Carr.

Mr. SMITH. He asked you to name all of them. Name them.

Mr. NELLIS. His brother?

Mr. BRINK. Yes, after he died.

Mr. NELLIS. What is his first name?

Mr. BRINK. Edward Carr, Morris Kleinman, Lou Rothkopf, and Sam Tucker. I believe that is all I know.

Mr. SMITH. Are you testifying about 1949?

Mr. BRINK. Yes.

Mr. NELLIS. What about Charles Polizzi?

Mr. BRINK. I have seen his name as a matter of record; I don't know Charles Polizzi.

Mr. NELLIS. Is it possible you don't know a partner in your own business?

Mr. BRINK. Yes.

Mr. NELLIS. Will you explain that? I think the committee would be very interested.

Mr. SMITH. Take your time.

Mr. BRINK. How they come to be my partners?

Mr. NELLIS. That is very interesting. I think it is vital testimony.

Mr. BRINK. Back in, I believe it was, I am not sure whether it was 1941—it is a matter of record—when they became my partners, they come to Kentucky and bought the Beverly Hills.

Mr. NELLIS. You say "they."

Mr. BRINK. The Cleveland boys.

Mr. NELLIS. The Cleveland Syndicate?

Mr. BRINK. They bought the Beverly Hills, and it was at that time I opened—no, I am ahead of myself. Yes, at that time I was going to speak about another failure I had.

Mr. SMITH. Keep your answer to his question.

Mr. BRINK. About that time I approached them with the proposition, would they also be interested in buying the Lookout House?

Mr. NELLIS. You approached them?

Mr. BRINK. Yes.

Mr. NELLIS. You are quite sure they didn't approach you?

Mr. BRINK. I am quite sure. It may have been I spoke to somebody else and they came back.

Mr. NELLIS. Specifically, didn't Rothkopf—

Mr. BRINK. No.

Mr. NELLIS. Let me finish my question. Didn't Rothkopf come to you and make you a proposition by which the Cleveland Syndicate would move into the Lookout Club and continue you as one of the partners for the operation in return for a fee which they would put up—they would put up some money to make it a quite sizable operation; is that right?

Mr. BRINK. No; I don't think that is the truth.

Senator O'CONNOR. As you remember it.

Mr. BRINK. As I remember it, I approached them with the deal, and I was interested in making a capital gain deal at the time and keeping an interest and also taking an interest in the Beverly Hills.

Mr. NELLIS. Whom did you approach, do you remember?

Mr. BRINK. I don't remember. Some one of the partners, but it wasn't Rothkopf. I don't know Rothkopf very well.

Mr. NELLIS. Was it Kleinman?

Mr. BRINK. I really don't think it was Kleinman; I really think it was Tucker.

Mr. NELLIS. In the course of the negotiation—

Mr. BRINK. That is a long time ago.

Mr. NELLIS. But do you recall the name of Alvin Giesey?

Mr. BRINK. Yes; he will come into it later.

Mr. NELLIS. Mr. Chairman, I should explain because you were not at Cleveland. This is a closely interwoven interstate operation, and it is the very type of operation the committee is so much interested in, and I think this will explain it.

Mr. BRINK. I am trying to give you just the way the thing happened.

Mr. NELLIS. Go ahead.

Mr. BRINK. I think I approached, I think it was Mr. Tucker, Sam Tucker, whom I always had and still have in high regard, who seemed to be the gentleman of the boys. There was some negotiations about it, asking me to set a price, and eventually I did set a price on it. I think, if I remember right, it is a matter of record, I believe it was around 125,000, something, and I also remember I came out with an interest in Beverly Hills, a 10 percent interest in Beverly Hills, I bought in the Beverly Hills deal, and kept a 20 percent interest in the Lookout House, of which 5 percent went to my father and 5 percent went to the Carrs, which they have retained throughout the years, and I retained 10 percent.

In addition to that, I think, according to the income tax readjustment which they made at a later date, I think my capital gain was about \$65,000—in the neighborhood of that. I felt I was doing anything any businessman would do. I didn't feel like I was doing anything—even though the gambling is illegitimate business now, I am led to believe you are a criminal and a racketeer and everything else—I still felt—

Mr. NELLIS. What do you mean?

Mr. BRINK. Listening to this testimony.

Senator O'CONNOR. In other words, you could and you did undertake to the best of your ability to handle the transfer and the interchange of the different operations in a way that would keep within the Federal income-tax law?

Mr. BRINK. Oh, yes; definitely. That was handled with the auditors and it was also worked out through that way, and like I say, I was interested in making a capital gain deal on the thing and coming up with some tax-free money.

Mr. NELLIS. Now as a result of that, you not only had an interest in Lookout, but you achieved an interest in Beverly Hills.

Mr. BRINK. That is correct.

Mr. NELLIS. How did Mr. Giesey work in this arrangement?

Mr. BRINK. Mr. Giesey was brought into the deal after the price was set. I think he came with Mr. Tucker and worked with my

auditor. I think it was the time, I believe, John Connally was my auditor. I have had different auditors at different times.

Mr. NELLIS. That is all right.

Mr. BRINK. I think he worked with John Connally, and we set up—well, we took stock and went over the various things necessary.

Mr. NELLIS. Is that how Jimmie Brink, a Nevada corporation, was born?

Mr. BRINK. Yes, that is how Jimmie Brink was born. It was a partnership between myself and—I believe Carr brothers had a piece of it.

Mr. NELLIS. Who suggested that you go out to Nevada to form this corporation?

Mr. BRINK. This was done by my cousin, who was a lawyer.

Mr. NELLIS. Was that Mr. Lester?

Mr. BRINK. Mr. McLaughlin.

Mr. NELLIS. The reason I asked about Lester is Giesey testified in Cleveland he thought that set-up was arranged by Lester.

Mr. BRINK. I had my cousin come in, who is a prominent young lawyer in Chicago and specializes—I think he has a very prominent firm in Chicago, and he handled my business dealings.

Mr. NELLIS. Now, Mr. Giesey became secretary of these corporations that held the lands for both Beverly Hills and the Lookout Club?

Mr. BRINK. I believe that is correct.

Mr. NELLIS. You know he testified to that effect in Cleveland, and in this arrangement were there any other clubs involved or any other gambling casino properties?

Mr. BRINK. No; that was the only one at that time.

Mr. NELLIS. What about Charles Polizzi? Will you please explain how he got into it?

Mr. BRINK. He must have come in through—you see, I sold 80 percent and bought 10 percent of the Beverly Hills.

Mr. NELLIS. But in your examination of the records to determine how much your share was, you must have been interested—

Mr. BRINK. I saw Charles Polizzi, but to my recollection, I never met the man.

Mr. NELLIS. Do you know him?

Mr. BRINK. No.

Mr. NELLIS. Do you know anything about him?

Mr. BRINK. No.

Mr. NELLIS. Do you know he is a well-known racketeer?

Mr. BRINK. No; I read about his brother.

Mr. NELLIS. I am talking about Charles Polizzi.

Mr. BRINK. No.

Senator O'Connor. In the negotiations the three didn't show, so that you had no contact with anybody of that name?

Mr. BRINK. I had no contact with most of those people.

Mr. NELLIS. In checking the records to determine your share, is it not a fact that you became aware of the fact that this man was a partner?

Mr. BRINK. I became aware of it, certainly.

Mr. NELLIS. He was a partner in the Beverly Hills Country Club, wasn't he? You knew he was. He was also a partner in that set-up.

Mr. BRINK. I think it was about the same—there might have been

one or two, somebody else, I think a little bigger deal, and maybe somebody else come in on the Beverly Hills.

Mr. NELLIS. Before we get to Beverly Hills, I want to ask you one other question on the Lookout Club. What system did you employ to keep track of your income and outlay in the gambling casino?

Mr. BRINK. In the gambling casino?

Mr. NELLIS. Yes.

Mr. BRINK. Well, I hadn't been very active in the gambling casino, though I do know the system.

Mr. NELLIS. Will you tell us about the system?

Mr. BRINK. The first thing is two men handled all money.

Mr. NELLIS. Who?

Mr. BRINK. Whoever the bosses are. At the present time, or during those years, it has been Charlie Drahman and George Todd. Previous to that was Sammy Miller.

Mr. SMITH. Your question related to—I don't want any misunderstanding—your question related to the casino?

Mr. NELLIS. I am talking about the gambling operation.

Mr. SMITH. There is a legitimate operation.

Mr. NELLIS. I am not talking about that.

Mr. SMITH. I wanted that understood.

Mr. NELLIS. Mr. Drahman and Mr. Todd handled the money?

Mr. BRINK. That is right. They were the managers of the casino, and all moneys were handled by two people. In other words, boxes were counted down. Any pay-out was always handled through a cashier, and when a settlement at night, the figures, they have a regular set of work papers, work figures, there is always two bosses plus the cashier there.

Mr. NELLIS. It is largely a cash business?

Mr. BRINK. It is a cash business.

Mr. NELLIS. What system did you employ for making sure that not only the partners but Uncle Sam got an honest count?

Mr. BRINK. Well—

Mr. NELLIS. I know that is a tough question.

Mr. BRINK. The only system I could tell you is the honesty of the people.

Mr. NELLIS. You mean well-known gamblers?

Mr. BRINK. Well, I think they are very honest.

Senator O'CONOR. In other words, at the end of the day's operation there was what might be called a double check with the two men in charge plus cashiers?

Mr. BRINK. That is right.

Senator O'CONOR. And their work paper was more or less placed before them?

Mr. BRINK. And there was two bosses all the time plus a man who works there.

Mr. NELLIS. Let's get down to facts. What was to prevent all three of them from peeling off a roll for themselves and a roll for Uncle Sam and a roll for the partners and a roll for somebody else?

Mr. BRINK. Well, that is a hard question to answer.

Mr. NELLIS. Nothing; isn't that the answer?

Mr. BRINK. That is the truth. There would be nothing but your trust in the people who have been with you, their reputation; and

I daresay that some gamblers' reputation I would take much in preference, and their word, in preference to many businessmen I have dealt with.

Senator O'CONOR. Let me ask you this question for my own information and also because it is pertinent, I think. Could they have deducted anything or taken off anything without putting it—bluntly, could they have been cheating Uncle Sam without cheating the owners of the business?

Mr. BRINK. I doubt it. I think there has always been a little—which has been encouraged—a little, I wouldn't call it animosity, I wouldn't call it jealousy, but I would call it a little difference of maybe power or something between the two people that handled that, and for that reason it helped along the line to keep one watching the other.

Senator O'CONOR. Each one was careful of the other?

Mr. BRINK. Watching the other man.

Mr. NELLIS. With your permission, I would like to get into this a little more deeply. What system, what accounting system did you ever set up or did Giesey ever set up for you?

Mr. BRINK. That is the system.

Mr. NELLIS. That is, to determine whether or not the daily receipts, the daily ins and outs, were honest? You mean the system consisted of three men watching the cash distribution?

Mr. BRINK. That is right.

Mr. NELLIS. Every day?

Mr. BRINK. That is right.

Mr. NELLIS. That is all?

Mr. BRINK. Plus a daily record sheet which all help, all expenses, all amount of the help and opening bankroll plus whatever gain was in operation, the winning and losing boxes, the boxes were taken out and put down on the sheet and totaled up as winner and loss as of that day.

Mr. NELLIS. Your answer is the reputation of the persons doing the counting is the ultimate factor in determining whether or not everybody got an honest count?

Mr. BRINK. Yes.

Senator O'CONOR. Is that what you yourself took?

Mr. BRINK. That is what I took.

Senator O'CONOR. Were any copies of the statement given to the other partners?

Mr. BRINK. No; they were given to the auditor, and it went through and sent on to the auditor, who is Giesey.

Mr. NELLIS. There is testimony in Cleveland that showed that Giesey got the daily receipts every month and from that he prepared an income-tax return. When questioned as to the system employed he said he had no knowledge.

Senator O'CONOR. He only received the ultimate—

Mr. BRINK. He received what I call a work sheet, which is numbered each day, and it is more or less—I think it is the universal sheet that has been used in that style of operation.

Mr. NELLIS. All right. Now, let's get to Beverly Hills Country Club. Were you in the city last night?

Mr. BRINK. Cincinnati?

Mr. NELLIS. No; here.

Mr. BRINK. I come in here last night.

Mr. NELLIS. Did you hear at the hearing last night, you didn't hear about——

Mr. BRINK. We were on the plane last night. Another thing I would like to get in the record, the fact regarding this subpoena and my——

Mr. SMITH. They will give you a chance.

Mr. BRINK. I want you to bring that up.

Mr. NELLIS. We will get to that.

Yesterday in the record there was introduced a little card which was very interesting to members of the committee. The card said something like this:

Opens April 1. Beverly Hills Country Club. This card is for admittance to the gaming room. This card is sent to you as a privilege. If you don't intend to use it, destroy it; don't pass it on.

Now, Mr. Brink, that is a very interesting card for two reasons: First, it purports to say that Beverly Hills is now closed and will open the day after this committee is due to expire, and secondly, it is an attempt to tell people who are patrons of your place that they can come and participate——

Mr. BRINK. I have nothing. Don't refer to my place.

Mr. NELLIS. The place you formerly had a share.

Mr. BRINK. I still have a share, but I don't have anything to do with the operation.

Senator O'Conor. Take out maybe "your place" and say "the place."

Mr. BRINK. The place.

Mr. NELLIS. Tell the patrons of the place it is ready for business on Sunday, April 1.

Mr. BRINK. I will tell you I don't believe any such card was printed by the people at Beverly Hills.

Mr. NELLIS. It is a matter of record.

Mr. BRINK. I think it was either printed maliciously and sent to the committee—I don't think so; I can go on record as saying I asked—just yesterday I heard about that in Cincinnati, and I asked Mr. Schraeder, the boy who operates, and is very sick, incidentally, and he is not in good condition right now, but I asked him about that, and he denied it.

Mr. NELLIS. Have you in the past sent such cards to people? Remember, you are under oath.

Mr. BRINK. Not that type of card.

Mr. NELLIS. You have sent admittance cards to people; have you not?

Mr. BRINK. I don't think so; no.

Mr. NELLIS. You have not?

Mr. BRINK. As far as the Lookout House——

Mr. NELLIS. The Beverly Hills Country Club establishment.

Mr. BRINK. I have nothing to do with the operation of Beverly Hills, and I have been on a competitive basis with Beverly Hills, even though I own an interest in it and some of the partners in it own an interest with me——

Mr. NELLIS. Your answer is you don't know of any such cards sent by Beverly Hills?

Mr. BRINK. No; I don't know.

Mr. NELLIS. The committee records show such cards have been sent in the past by this establishment. Do you know whether or not they intend to reopen April 1 for gambling purposes?

Mr. BRINK. I don't think for gambling purposes. I think it has been customary for them to open on March or April every year. They close New Year's Day, and it is situated on a very high hill, and we have some bad snow and ice weather there; and another thing I might say, that it was one of the good deals of being partners with them—I was able to operate during the winter when they were closed, and it was a business deal pure and simple.

Mr. NELLIS. Who are your partners in the Yorkshire establishment at Newport?

Mr. BRINK. I can't name all of them, but I think I can name a good many. John Croft. There is another place I don't have anything to do with. I have been in it just one time, as far as actual operation. I went in after it was remodeled.

Mr. SMITH. You might explain also that is in Campbell County.

Mr. BRINK. Yes; a different county, and the places in Campbell County I don't make a habit of visiting the different places.

Mr. NELLIS. I want the record also to show——

Mr. BRINK. I know some of the partners.

Mr. NELLIS. You have received income.

Mr. BRINK. I said I have an interest.

Mr. NELLIS. From 1944 to about the present?

Mr. BRINK. Well, not in the last year.

Mr. NELLIS. To about the present. To 1949 surely.

Mr. BRINK. 1949; that is right. Now, there is John Croft—you asked for the partners—Maurice Ryan, Fits Hallam, and—well, I don't know too many of the partners.

Mr. NELLIS. Richard Fox?

Mr. BRINK. I don't know him.

Senator O'CONNOR. Let me ask this. What is the percentage of your——

Mr. BRINK. I have 5 percent, and it was something—I was put in there, I think the bankroll was put up from some place else, and I was put in the deal. In fact, I had an interest.

Mr. NELLIS. From Cleveland?

Mr. BRINK. I don't think from Cleveland.

Mr. NELLIS. Did you know that Tucker was a partner?

Mr. BRINK. I think Tucker was.

Mr. NELLIS. Do you know that John Angersolo was a partner?

Mr. BRINK. I don't know him.

Mr. NELLIS. And another partner, John Keene?

Mr. BRINK. I don't know him.

Mr. NELLIS. George Gordon?

Mr. BRINK. I don't know him.

Mr. NELLIS. Alfred Goltsman?

Mr. BRINK. Where is he from?

Mr. NELLIS. Cleveland.

Mr. BRINK. No.

Mr. NELLIS. How about Red Masterson? You knew he was in it?

Mr. BRINK. I thought he was. I didn't know.

Mr. NELLIS. We talked about Red Masterson.

Mr. BRINK. Yes.

Mr. NELLIS. This was a curious combination of the Cleveland syndicate. Also I should mention Charles Polizzi. He was a partner in that establishment. This is a very curious combination of the Cleveland syndicate plus a lot of local people.

Mr. BRINK. I think it was more or less, I just can't say, but it was satisfying a lot of people. I mean people interested in different things.

Mr. NELLIS. When you say "satisfying a lot of people," what you mean is there was some kind of deal made by which these outsiders from Cleveland were able to work locally with you?

Mr. BRINK. In the local situation?

Mr. NELLIS. That is right.

Mr. BRINK. I don't have much to do with the Newport situation. I was given a piece of it.

Mr. NELLIS. Who gave you the piece?

Mr. BRINK. I think it was Sam Tucker.

Mr. NELLIS. You got the piece through Sam Tucker?

Mr. BRINK. Either John Croft or Sam Tucker.

Mr. NELLIS. You put up part of the bank roll?

Mr. BRINK. I put up part of the money.

Mr. NELLIS. When did you first start in that?

Mr. BRINK. About 4 or 5 years ago, I guess.

Mr. NELLIS. It was 1944 anyway?

Mr. BRINK. It could be.

Mr. NELLIS. Is that right?

Mr. BRINK. That could be.

Mr. NELLIS. Now the Kentucky Club, who are the partners in that?

Mr. BRINK. That is owned by some local boys from Covington.

Mr. NELLIS. Who are they?

Mr. BRINK. Edward Carr I mentioned before, and Frank Burns, and Bob Sweetser.

Mr. NELLIS. Were there any members of the Cleveland syndicate or an out-of-town syndicate in that club?

Mr. BRINK. No.

Mr. NELLIS. A purely local operation?

Mr. BRINK. Yes.

Mr. NELLIS. I take it that operation was allowed to run on the basis of a deal that you made with somebody; isn't that right?

Mr. BRINK. No; there was no deal. Nobody even asked about that thing or asked for any interest or could they buy an interest.

Mr. NELLIS. What about the police?

Mr. BRINK. What about the police?

Mr. NELLIS. What kind of a deal have you made with the police to keep running?

Mr. BRINK. No deal. There is another proposition, the Kentucky Club; I have nothing to do with it; I don't go to it once or twice a year.

Mr. NELLIS. Mr. Brink, you can't disclaim responsibility for those places when you are drawing income.

Mr. BRINK. I admit I have an interest, but I am not an actual operator. I am the operator of the Lookout House.

Mr. NELLIS. What kind of deal have you made with the local authorities to prevent them raiding your place night after night?

Mr. BRINK. No deal.

Mr. NELLIS. Do you know Chief Gugel?

Mr. BRINK. He is in Campbell.

Mr. NELLIS. Do you know him?

Mr. BRINK. I don't know him very well.

Mr. NELLIS. Do you know Thomas Fitzpatrick?

Mr. BRINK. Yes.

Mr. NELLIS. What is his position?

Mr. BRINK. He was the sheriff in Kenton County.

Mr. NELLIS. Who is the sheriff in Kenton County now?

Mr. BRINK. Henry Berndt.

Mr. NELLIS. How well do you know him?

Mr. BRINK. About the same as any of the local people. I know most all local officials. It is a very small town, sort of a friendly little place.

Mr. NELLIS. Now, Mr. Brink, is it conceivable that these places could run wide open for all these years you have been associated with them without detection from the local authorities?

Mr. BRINK. What places are you talking about?

Mr. NELLIS. I am talking about the places in which you have an interest. Specifically, let's start with the Lookout Club in which you have a managerial interest.

Mr. BRINK. I have an interest, the driving interest, you might say, at the Lookout House.

Mr. NELLIS. How do you manage to stay open and keep gambling wide open there without the connivance of the local police?

Mr. BRINK. I don't think there is any connivance.

Mr. NELLIS. Will you explain to the chairman how you stay open year after year, running an establishment that is illegal, and recognized to be illegal, in open defiance of the law, without connivance between yourself and the police?

Mr. BRINK. I think it is sufferance on the part of the officials.

Mr. NELLIS. You think they are going to let you do that without some take on their own?

Mr. BRINK. I certainly do.

Mr. NELLIS. You deny that you ever gave any money to any member of the police force of your community?

Mr. BRINK. I certainly do.

Mr. NELLIS. Do you ever make any political contributions?

Mr. BRINK. I certainly do.

Mr. NELLIS. To whom?

Mr. BRINK. To the Democratic national campaign.

Mr. NELLIS. I am not talking about that. Let's start with the local authorities. Have you made political contributions to the sheriff's campaign?

Mr. BRINK. No.

Mr. NELLIS. How about to the chief of police's campaign?

Mr. BRINK. The chief of police is appointed. He has been there for years, longer than I can remember.

Mr. NELLIS. Have you given him any gifts of cash or anything?

Mr. BRINK. No; I probably don't see him once in 3 years or 4 years.

Mr. NELLIS. Have you ever done that indirectly through nominees?

Mr. BRINK. No, sir.

Mr. NELLIS. Is it your statement that the police simply allow these places to run by sufferance?

Mr. BRINK. By sufferance I would say.

Mr. NELLIS. And you want your testimony to stand that way?

Mr. BRINK. That is right.

Senator O'CONOR. Might I ask, Mr. Brink, with regard to your contribution to the national committee, are they sizable?

Mr. BRINK. Not too great, I wouldn't say. I wouldn't say—it is the National Democratic Party, whoever the regular chairman is at the time.

Senator O'CONOR. Without attempting to pin you down to the dollar—

Mr. BRINK. A few hundred dollars. I am talking about the local, when they raise local, and, mainly, even with Senators.

Senator O'CONOR. I mean whether you made the contribution in Kentucky or sent it to Washington.

Mr. BRINK. To the chairman of the local—

Mr. SMITH. Let me interpolate. Don't have the answer misunderstood. He understood you to say you contributed to the national. What I understood you to say is you contributed to the Democratic committee in these various races they have, county and State.

Mr. BRINK. That is right.

Senator O'CONOR. I thought he said Democratic National Committee.

Mr. BRINK. Through the local agent, whoever the chairman is at the time. It is not such a great amount.

Senator O'CONOR. You don't send it to Washington?

Mr. BRINK. No, sir.

Mr. SMITH. We have hot races in Kentucky, these Democrats among themselves. I don't take any part in that.

Mr. NELLIS. You operate a race stud farm?

Mr. BRINK. Yes. Primarily that has been my business the past 5 or 6 years, although my income has been substantially increased by the gambling interests, although I have been breeding and racing horses for 16 years.

Mr. NELLIS. Have you ever been ruled off any track?

Mr. BRINK. At no time.

Mr. NELLIS. Where do you race your horses?

Mr. BRINK. On major tracks.

Mr. NELLIS. Throughout the United States?

Mr. BRINK. That is right.

Mr. NELLIS. And have you any partners in the racing-stable business?

Mr. BRINK. No, sir.

Mr. NELLIS. That is a solely owned business?

Mr. BRINK. Solely owned business.

Mr. NELLIS. Your father has no interest in that?

Mr. BRINK. No, sir.

Mr. NELLIS. What other businesses have you been in, legitimate or otherwise?

Mr. BRINK. I have been—

Mr. NELLIS. Let's confine it to the last 10 years.

Mr. BRINK. Within the last 10 years I have been primarily in the race-horse business, with interests—I have been actively engaged in the Lookout House for 6 years, I would say, and I have been devoting, I would say, 95 percent of my time to the horses. I breed horses and

sell, buy and sell, and train horses, get them ready for other people, including myself. I have a training track on my farm, have quite a nice establishment.

Mr. NELLIS. And that is the only legitimate business you have been in in the last 10 years; is that right?

Mr. BRINK. Ten years; yes.

Mr. NELLIS. Without specifically asking you about your income, is it not a fact that in order to be in that kind of business you need lots of ready cash?

Mr. BRINK. Yes.

Mr. NELLIS. It is an expensive business?

Mr. BRINK. It can be. At times it has been profitable and at times it has gone the other way.

Mr. NELLIS. Mr. Brink, where have been since about the 15th of December 1950?

Mr. BRINK. Well, since the 15th of December I was in Florida from the 1st of December until the 23d, when I came back to Kentucky, and I left again on January 1 of 1951.

Mr. NELLIS. You knew the committee was conducting investigations in Cleveland?

Mr. BRINK. I think that was a little later.

Mr. NELLIS. No. Did you know that the committee was conducting investigations in December?

Mr. BRINK. Yes; I did.

Mr. NELLIS. And where were you after you returned from Florida?

Mr. BRINK. Now, previously I went to Florida on January 1. I was plaintiff in a lawsuit.

Mr. SMITH. You said plaintiff.

Mr. BRINK. Defendant. I need my lawyer. I was defendant in a lawsuit concerning an accident with the race horses, and it was set for January 2, and my entire time from January 1 until Friday a week ago, which was about March 16, I was in Florida—Miami, Fla.—at 7926 East Drive, Harbor Island. I have a telephone listed in my name in the book, been there for 2 years; I have rented the apartment for a couple of years, and I was sitting in Dade Circuit Court.

Mr. NELLIS. Did it come to your attention the committee was seeking your testimony?

Mr. BRINK. It did.

Mr. NELLIS. Why did you not go to the nearest United States marshal's office and offer yourself for service?

Mr. BRINK. I had a lawsuit which had been put off since 1947. This accident happened in 1947, and, to be frank, I was afraid that my name in connection with the committee and everything else would have a bearing on my lawsuit.

It so happens that it did. The day that the trial was consummated and my name came out in the newspaper on the front sheet of the paper, and I got a verdict of \$15,000 for something—I shouldn't even have been in the suit, I might add.

Senator O'CONOR. The case was reached for trial, then, in that period?

Mr. BRINK. It had been set for trial for January 2.

Senator O'CONOR. But it wasn't reached?

Mr. BRINK. It was tried January 9.

Senator O'CONOR. And continued until—

Mr. BRINK. Continued on until about the 15th or 16th of January, and then when the verdict, like I say, there was an article with my name listed with other people, and it was brought up by the attorney for the plaintiff, and it was a very weak case, with all documentary evidence and everything—

Senator O'CONOR. Without going into the merits, the publication occurred during the trial of the case?

Mr. BRINK. And it hurt me.

Mr. NELLIS. The trial of the case was on the 16th?

Mr. BRINK. The 16th of January.

Mr. NELLIS. You were finished at that time?

Mr. BRINK. No.

Mr. SMITH. Give him a chance.

Mr. NELLIS. I don't want a lot of self-serving material on this record.

Mr. BRINK. I want something to satisfy me, too. You have asked—

Senator O'CONOR. The trial actually extended from around the 9th of January until about the 15th?

Mr. BRINK. There was other proceedings in the meantime.

Mr. SMITH. Tell them what happened. You are down to the 16th. Tell them what happened. That is what he wants to know.

Mr. BRINK. Court proceedings off and on, and hearings, et cetera, regarding attachment of the horses and the fulfilling of the judgment. The judge realized it was too great a verdict, and he cut the verdict to \$7,500, with the permission of the plaintiff's attorney, and they proceeded to attach my horses, and I was in court continually until it was settled and I paid off because of the nuisance value March 16, came back to Covington March 17; and in between that time I think I made a trip to Covington and had Mr. Smith volunteer my appearance before the committee any time.

Mr. NELLIS. I want the record to show no such information came to the committee while in Cleveland.

Mr. SMITH. You want to be correct?

Mr. NELLIS. Yes.

Mr. SMITH. That case, the trial ended about January 16, but a motion for a new trial was filed, and Mr. Brink was required to stay there, and the judge did grant a new trial, and they cut that down to \$7,500, and they undertook to attach Mr. Brink's horses. I was to go down there, but I told him to leave it to the local attorney, and I stayed in Covington. I advised him to straighten it out. If you want to ask him about going any other place, we don't object.

Mr. NELLIS. I want to make sure—

Mr. BRINK. That I wasn't in Mexico?

Mr. NELLIS. I want to make sure that you understand the committee was seeking your testimony beginning January 17 and ending January 20 in Cleveland.

Mr. BRINK. Yes.

Mr. NELLIS. And that you were unavailable for service.

Mr. BRINK. No; I was available for service.

Mr. NELLIS. Let me finish, and then you can make whatever statements you wish—that the committee sent investigators to your home, to your place of business, to your usual haunts; the United States marshal sought your appearance; we looked for you in Florida, in Nevada, and in other places, and were unable to effectuate

service; and the fact is that the United States Senate voted a warrant for your arrest, is it not?

Mr. BRINK. I believe it is so.

Senator O'CONOR. After you left there December 23, just before Christmas, spent Christmas week in Covington, left January 1 in order to be there January 2—from all that time, say December 23 until March 17, St. Patrick's Day, 2 weeks ago, were you between Covington and Miami?

Mr. BRINK. Between January 1—I made one trip home.

Senator O'CONOR. That is between Covington and Miami; so you were in between Covington and Miami.

Mr. BRINK. I fly my own plane, and made one stop en route, and I was living all the time in my Florida address.

Mr. NELLIS. Were you any place besides Florida?

Mr. BRINK. No, sir.

Mr. NELLIS. Did you leave the country at any time?

Mr. BRINK. No, sir.

Mr. NELLIS. Have you seen John Croft in the last 3 months?

Mr. BRINK. Yes, sir.

Mr. NELLIS. Where have you seen him?

Mr. BRINK. Florida.

Mr. NELLIS. What part of Florida?

Mr. BRINK. In Miami.

Mr. NELLIS. In Miami?

Mr. BRINK. Yes.

Mr. NELLIS. Have you seen Mr. Miller?

Mr. BRINK. No.

Mr. NELLIS. While you were in Miami?

Mr. BRINK. I haven't seen Sam Miller, I judge——

Mr. NELLIS. Yes; "Game Boy."

Mr. BRINK. No; that has been quite a few years.

Mr. NELLIS. Where were you arrested?

Mr. BRINK. At my home last Saturday night.

Mr. NELLIS. In Covington?

Mr. BRINK. That is right, and further than that, I would like to say——

Mr. NELLIS. Yes, sir.

Mr. BRINK. That after March 16, when I came home, I completed and settled my case in Miami, Fla.; I came home March 17, flew home, reported to Mr. Smith that I was ready, and he had some correspondence back and forth; he advised the committee I would appear at any time.

Mr. NELLIS. Yes, but——

Mr. BRINK. Just a minute. I stayed home. We contacted the United States commissioner relative to putting up a bond, and Mr. Smith can tell you that we were advised to wait; they had no warrant, and we were advised to wait until they wanted us.

Senator O'CONOR. Where was your wife?

Mr. BRINK. With me in Florida.

Senator O'CONOR. Where you say you have a telephone in your name——

Mr. BRINK. It has been listed in the telephone book the past 2 years.

Senator O'CONOR. In view of your interest in the operations in Covington and your residence and other headquarters there, which I assume is your principal headquarters, did you leave any instructions at all as to where people could reach you?

Mr. BRINK. I did at my office, and they never went to my office. We didn't volunteer. I will be frank. I didn't volunteer to come in because I had a personal interest to protect.

Mr. NELLIS. You waited until it suited your convenience to come in; isn't that right?

Mr. BRINK. I wanted to—yes.

Mr. NELLIS. You put your interest above the interest of that of this committee of the United States Senate; isn't that a fact?

Mr. BRINK. Yes.

Mr. NELLIS. That is a fact?

Mr. BRINK. As far as the court proceedings, yes, sir.

Mr. NELLIS. Mr. Chairman, I think that is all.

Mr. BRINK. If I was served, I would come in.

Senator O'CONOR. Off the record.

(Discussion off the record.)

Senator O'CONOR. Upon the hearing being concluded, the subcommittee, speaking through the Senator from Maryland determines that it would be in accordance with the desire of the committee to effect the release of Mr. James Brink at this time inasmuch as he has appeared before the committee and responded to our inquiries.

Bring in Mr. O'Brien.

Mr. O'Brien, as in all cases, we have asked the witness to be sworn. In the presence of Almighty God, do you swear that the testimony you shall give in this hearing shall be the truth, the whole truth, nothing but the truth, so help you God?

Mr. O'BRIEN. I do.

Senator O'CONOR. I might say for your information that this hearing is held pursuant to the resolution of the Senate and sanctioned by the full committee, that as a subcommittee of one and by designation of the chairman, Senator Kefauver, I am holding the executive hearing.

TESTIMONY OF WILLIAM G. O'BRIEN

Senator O'CONOR. For the purpose of the record your name is—

Mr. O'BRIEN. William G. O'Brien.

Senator O'CONOR. The G is for—

Mr. O'BRIEN. Gerald—G-e-r-a-l-d.

Senator O'CONOR. And your address?

Mr. O'BRIEN. I am going to refuse to answer any more questions.

Senator O'CONOR. I am just asking that for purposes of identification.

Mr. O'BRIEN. The FBI brought me in here and Mr. Duke took charge of me, so they have got all the information you people desire. I respect you people, but I think I have some constitutional rights that I am going to stand on, and the fifth amendment.

Senator O'CONOR. I see. You are privileged to make any statement you wish to.

Mr. O'BRIEN. I am going to refuse to answer any questions on the ground that they may tend to incriminate me on any Federal laws.

Senator O'CONOR. You have not as yet been asked any question.

Mr. O'BRIEN. You asked me my address.

Senator O'CONOR. Is it in response to that question that you make that statement?

Mr. O'BRIEN. Yes, Senator.

Senator O'CONOR. Will you answer any questions whatsoever?

Mr. O'BRIEN. No, sir; nothing more.

Senator O'CONOR. So that, in other words, the statement you just made now is a general statement and would apply to any and all questions, regardless of their nature?

Mr. O'BRIEN. I respect you gentlemen. We will waste our time. I am not going to say another word.

Senator O'CONOR. Very good. Mr. Rice, you may proceed.

Mr. RICE. May I examine a little bit?

Senator O'CONOR. Yes.

Mr. RICE. What is your address?

(No response.)

Senator O'CONOR. Mr. O'Brien, you are instructed to answer by the Chair and you still decline?

Mr. O'BRIEN. I made my statement. I thought I made it clear. I refuse to answer any questions.

Senator O'CONOR. That is right. Just so that we may take it along without undue interruption, there will be a series of questions asked you, and it will be understood——

Mr. O'BRIEN. I will stand mute.

Mr. RICE. Mr. O'Brien, perhaps it would help—I would like to ask you a few questions about your reasons for refusing. That is my purpose in asking you where you live.

Now, I take it that you, by refusing to answer, are using what you feel to be your constitutional right; is that correct?

(No response.)

Mr. RICE. I didn't hear your answer, sir. Is that right?

Mr. O'BRIEN. I am going to stand mute. I am not going to say nothing.

Mr. RICE. You are not going to say nothing. Let me ask you this: Are you under indictment at the present time?

(No response.)

Mr. RICE. Let the record indicate that there is no response from the witness.

Are you standing mute on that question, sir?

Let the record show that the witness stands mute.

Are you under investigation, to your knowledge, for any offense?

(No response.)

Senator O'CONOR. Now, Mr. O'Brien, it is with respect to these questions, and without unduly prolonging it, that the presiding officer does instruct you to answer, and then we understand that you refuse to answer any and all questions for the reasons that you have given. Without repeating what you said, you do decline to answer?

Mr. O'BRIEN. I made my statement. I thought that included everything.

Senator O'CONOR. That is right. We understand.

Mr. RICE. All right, sir. When you have asserted your constitutional privilege, do you have in mind a specific offense or offenses from which you fear prosecution?

Let the record show there is no response to that question.

If you have in mind an offense or offenses from which you fear prosecution, did that offense or offenses occur in the last 10 years?

Senator O'CONOR. Let it be noted that the witness refuses to answer.

Mr. RICE. Did the same offense or offenses which you have in mind occur more than 10 years ago?

Senator O'CONOR. Let the record show that the witness fails to make any audible response.

Mr. RICE. Are there any special circumstances which you would like to give us, Mr. O'Brien, in connection with your refusal to answer the question where you live?

Senator O'CONOR. Let the record show that the witness makes no audible response.

Mr. RICE. Where were you born, Mr. O'Brien?

Senator O'CONOR. No response.

Mr. RICE. Were you born in the United States?

(No response.)

Mr. RICE. Are you a citizen of the United States?

(No response.)

Mr. RICE. How much schooling have you had, Mr. O'Brien? Let the record show no response.

Mr. RICE. Are you married, Mr. O'Brien?

(No response.)

Mr. RICE. How old are you, Mr. O'Brien?

(No response.)

Mr. RICE. In 1935, if you recall, what business were you in?

(No response.)

Mr. RICE. In 1940 what business were you in, if you recall?

(No response.)

Mr. RICE. In 1945 what business were you in?

(No response.)

Mr. RICE. Do you know Robert Egner?

(No response.)

Mr. RICE. Do you know Richard Mangan?

(No response.)

Mr. RICE. Do you know Roscoe Odle?

(No response.)

Mr. RICE. Do you know Irving Scherry?

(No response.)

Mr. RICE. Do you know Harry Bilson?

(No response.)

Mr. RICE. Do you know Leo Joseph Carroll, of Miami, Fla.?

(No response.)

Mr. RICE. Have you ever been connected with the Intrastate News in Florida?

(No response.)

Mr. RICE. Have you ever been connected with the so-called Wire Service?

(No response.)

Mr. RICE. Do you know William Hamilton? Of 2540 Southwest Twenty-fourth Terrace, Miami, Fla.

(No response.)

Mr. RICE. I understand, Mr. O'Brien, that you are sometimes known under the name of Keogh—K-e-o-g-h—is that true?

(No response.)

Mr. RICE. Were you in 1949 connected with the Intrastate News in Florida?

(No response.)

Mr. RICE. Mr. O'Brien, I am reading from exhibit No. 53 attached to the testimony of the hearings of the Special Committee To Investigate Organized Crime in Interstate Commerce taken in Chicago, Ill., during December 1950. The exhibit is attached to the testimony. It is a letter of the Western Union Telegraph Co., New York, directed to Chairman Kefauver of this committee over the signature of E. R. Shute, vice president. It says in part:

On the morning of February 28, 1949, Mr. O'Brien of the Intrastate News called our office manager, Mr. Martin, at Miami, on the telephone and requested that the drops at the 13 locations at Miami Beach be temporarily disconnected. This order was complied with in accordance with the request of the lessee, and these circuit drops were disconnected at our Miami central office on that date. Other disconnections were subsequently made at the request of the lessee as indicated in the exhibit.

And it refers to exhibit No. 55.

What can you tell us about the orders that you gave to Julian W. Martin of the Miami office of Western Union with respect to disconnecting those 13 drops at Miami Beach on February 28, 1949?

Senator O'CONOR. Let the record show that the witness declines to answer.

Mr. RICE. There has been testimony before this committee that those drops serviced the S. & G. gambling syndicate at Miami Beach with race-wire information and that, as a result of this cut-off of the wire service from Intrastate News, Harry Russell, of Chicago, took a one-sixth interest in the S. & G. Syndicate.

What can you tell us about Harry Russell and this cut-off?

Senator O'CONOR. Let the record show that the witness declines and refuses to answer.

Mr. RICE. Now, then, again reading from exhibit No. 53, it is stated that:

On March 14 Mr. O'Brien again called Mr. Martin and requested that the circuit to the 13 drops in Miami Beach previously disconnected be reestablished.

What was the reason for the reestablishment of the service to those drops?

Senator O'CONOR. Let the record show the witness declines.

Mr. RICE. Do you know Tom Kelly, of Continental Press?

(No response.)

Mr. RICE. Do you know Arthur McBride, of Cleveland?

(No response.)

Mr. RICE. Do you know Edward McBride?

(No response.)

Mr. RICE. Do you know J. J. Fogarty, of New Orleans?

(No response.)

Mr. RICE. Do you know Tony Accardo?

(No response.)

Mr. RICE. Do you know Jake Guzik—G-u-z-i-k?

(No response.)

Mr. RICE. Do you know Paul Ricca—R-i-c-c-a?

(No response.)

Mr. RICE. Do you know William H. Johnston—J-o-h-n-s-t-o-n?
(No response.)

Mr. RICE. Do you know W. O. Crosby?
(No response.)

Mr. RICE. Do you know Charles Friedman—F-r-i-e-d-m-a-n?
(No response.)

Mr. RICE. Do you know Raymond Craig—C-r-a-i-g?
(No response.)

Mr. RICE. Do you know Ben Cohen—C-o-h-e-n?
(No response.)

Mr. RICE. Sam Cohen?
(No response.)

Mr. RICE. Harold Salvey?
(No response.)

Mr. RICE. Jules Levitt—L-e-v-i-t-t?
(No response.)

Mr. RICE. Was it true that John Scanlon, of the Chicago Wire Service, came to Florida on at least one occasion and ordered the bookies being served by Intrastate News to pay an increased rate?

(No response.)

Mr. RICE. Do you know Austin O'Malley?
(No response.)

Mr. RICE. Do you know why Austin O'Malley came to Florida on one occasion in connection with wire-service activities and had his expenses paid by Illinois Press, of Chicago?

(No response.)

Mr. RICE. Do you know an attorney, Vincent Giblin, now Judge Giblin, of Florida?

(No response.)

Mr. RICE. Do you know why he received a fee from Continental Press, although he was practicing law in Florida?

(No response.)

Mr. RICE. Do you know Lawyers Atkinson and Atkinson in Florida, practicing lawyers in Florida, and why they were paid from wire-service sources in Chicago?

(No response.)

Mr. RICE. What arrangements do you have with Howard Sports in Baltimore, if any, to obtain, or in the past to have obtained, wire service?

(No response.)

Senator O'CONOR. I might note for the record that by resolution of the full committee the chairman of the full committee, the junior Senator from Tennessee, Senator Kefauver, has appointed the senior Senator from Maryland, Senator O'Connor, to be and to act as a subcommittee of one and to constitute a quorum for the purpose of taking sworn testimony and conducting this hearing.

Ask Mr. McElzeney to come in.

Mr. McElzeney, in accordance with the request of the committee, the Sergeant at Arms has produced the witness, William G. O'Brien. He has been before the committee and has refused to answer questions. It is, therefore, the decision of the committee that he be returned to the custody of the Sergeant at Arms and to be held, pending action of the full committee, with the provision that his release can be effected only upon the presentation of \$10,000 bail.

(Whereupon, at 4:45 p. m., the subcommittee adjourned.)

INVESTIGATION OF ORGANIZED CRIME IN INTERSTATE COMMERCE

THURSDAY, MARCH 29, 1951

UNITED STATES SENATE,
SUBCOMMITTEE OF THE SPECIAL COMMITTEE TO
INVESTIGATE ORGANIZED CRIME IN INTERSTATE COMMERCE,
Washington, D. C.

The subcommittee met, pursuant to call, at 10:45 a. m., in room 248, Senate Office Building, Senator Herbert R. O'Connor presiding.

Present: Senator O'Connor.

Also present: Joseph L. Nellis, associate counsel.

Senator O'Connor. The committee will come to order, please.

I might say, just in calling the executive hearing to order, that by resolution of the committee, the entire committee, I have been designated as a subcommittee of one to conduct this executive hearing, and the proper resolution will be incorporated in the record.

Mr. NELLIS. Yes, Mr. Chairman, and that you are also acting as a quorum for the taking of testimony.

Senator O'Connor. Yes; the resolution itself indicates that one of the members of the subcommittee shall constitute a quorum.

Now, may I, for the record, just ask your full name.

Mr. CROFT. John Croft.

Senator O'Connor. And your address, sir?

Mr. CROFT. Green Acres, Cincinnati, Ohio.

Senator O'Connor. Counsel, just for the record, may I ask your name?

Mr. FORD. My name is Charles E. Ford. My office address is the Columbian Building, 416 Fifth Street, NW., Washington, D. C.

I am a member of the bar of the District Court of the United States, the Court of Appeals, and the Supreme Court of the United States, and I am in actual practice as of this time.

Senator O'Connor. Mr. Ford, you are counsel for Mr. Croft?

Mr. FORD. Yes; and I am attorney for John Croft, the witness.

Senator O'Connor. We are very glad to have you with us.

Mr. Croft, will you raise your right hand and be sworn.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CROFT. I do.

Senator O'Connor. Mr. Nellis, will you proceed with your interrogation, please.

TESTIMONY OF JOHN CROFT, CINCINNATI, OHIO, ACCOMPANIED
BY CHARLES E. FORD, ATTORNEY, WASHINGTON, D. C.

Mr. NELLIS. Mr. Croft, where have you been since approximately the end of December 1950 to the present time?

Mr. CROFT. I went to Miami. How I remember this is that my wife's birthday is the 13th of December, I think, living all that time at 8620 Byron Avenue.

Mr. NELLIS. At Miami?

Mr. CROFT. At Miami Beach, Fla.

Mr. NELLIS. And did to come to your attention that this committee was seeking your testimony in the city of Cleveland?

Mr. CROFT. Did it?

Mr. NELLIS. Yes.

Mr. CROFT. Yes.

Mr. NELLIS. And it came to your attention, I take it, through the public media of communication?

Mr. CROFT. Yes, sir.

Mr. NELLIS. Why did you not go to the nearest United States marshal's office and offer yourself for service?

Mr. CROFT. Well, I thought, if they wanted me, they knew where to find me. I was not being evasive. Everything that I had done, I was aboveboard with it. I was not served with a subpoena.

Mr. NELLIS. I think the record should show, Mr. Chairman, that the—

Senator O'CONOR. Excuse me, but I do think Mr. Croft should be able to continue his answer, to complete it.

Mr. NELLIS. I beg your pardon, Senator.

Mr. FORD. Continue.

Senator O'CONOR. Did you have anything further in your answer?

Mr. CROFT. There is nothing; only, as I talked with my wife about it, we did not try to evade anything. I figured that, if they wanted me, they knew where to find me. I had stayed at the hotel there first under my name, my right name, and when I left there I left a forwarding address at the apartment I went to, and I had the newspapers at home sent to me from that address.

Senator O'CONOR. All right, Counsel.

Mr. NELLIS. Yes.

Senator O'CONOR. I believe you had started to say something.

Mr. NELLIS. Yes. I wanted the record to show—and I am sorry for the interruption—that the testimony of this witness was sought in northern Kentucky, Ohio, and Florida.

We had information from the United States marshal's office that Mr. Croft was alleged to be in Mexico.

We sought his testimony in at least six States; and the returns, which I will put in the record at this time officially with your permission, Mr. Chairman, show the status of the inability of this committee to serve a subpoena upon this witness.

Senator O'CONOR. You might just note what they are in the record.

Mr. NELLIS. Yes. I wanted to identify this as being a return of January 10, 1951, by Deputy Marshal Clark of the office of H. K. Claypool, United States marshal, and it stated the following on January 10:

Unable to locate the within-named John Croft, a diligent search having been conducted, and this subpoena is being returned unexecuted as said John Croft is not found in this jurisdiction.

Senator O'CONOR. In what district was that?

Mr. NELLIS. That was in the Northern District of Ohio.

Senator O'CONOR. That may be made a part of the record.

(The return of the United States marshal referred to is identified as exhibit No. 52, and was read into the record by Mr. Nellis.)

Mr. NELLIS. I might also say, in addition to this material, Mr. Ford, that information reaching the committee at Cleveland was to the effect that Mr. Croft had left the country.

Now, I wish to ask you the direct question——

Mr. FORD. Well, I will wait until you have completed your question.

Mr. NELLIS. Have you been outside the United States since the end of December 1950?

Mr. CROFT. Have I been outside the United States?

Mr. NELLIS. Yes.

Mr. CROFT. Yes; I went to the Bimini and fished.

Mr. NELLIS. Where is that, sir?

Mr. CROFT. The Bimini is in the Bahamas, 20 or 25 miles by plane off Miami.

Mr. NELLIS. On what date was that?

Mr. CROFT. Well, you are asking me something, I cannot tell you the exact date.

Mr. NELLIS. Well, approximately. Was it early in January of this year?

Mr. CROFT. I was there days.

Mr. FORD. Keep your voice up. The reporter must get what you are saying.

Mr. CROFT. I was there 3 days, about 3 days.

Mr. NELLIS. Well, approximately when was it?

Mr. CROFT. All right, let us say the last of January.

Mr. NELLIS. The last of January?

Mr. FORD. By the way, at this point he called my attention to the fact that he wanted to say something else in answer to your question about something.

Mr. NELLIS. Proceed, please.

Mr. CROFT. Well, there is a surgeon in Miami, whom I know socially in Cincinnati. When he went back home to tend to some business there, I said to him, "When you go back—there was some publicity in the papers—go in and see the newspapers." I said, "Don't go out of your way, but see Joe Garrison and Nixon Denton, and let them know where I am at, and let them know I am not evading anything."

The night after he went, I got a call that he had been in there, and I understand that there was some very favorable newspaper articles, some very favorable newspaper publicity, to the effect that John Croft is not evading, but in fact John Croft's wife was seen on a boat with some nice people.

Mr. NELLIS. In any event, you did not offer yourself for testimony on the 17th of January in the city of Cleveland, Ohio.

Mr. CROFT. Let me say this: I went——

Mr. NELLIS. Just answer the question, and then you can make any explanation you wish.

Mr. CROFT. No.

Mr. NELLIS. You did not offer yourself for testimony?

Mr. CROFT. No.

Mr. NELLIS. Although you testified that it came to your attention that you knew you were being sought; is that right?

Mr. CROFT. That is right.

Mr. NELLIS. And it suited your own convenience to remain silent; is that right?

Mr. CROFT. Well, I don't know whether that is just the right way to answer that question. To suit my own convenience? You mean I did not want to——

Mr. NELLIS. You never made any voluntary appearance?

Mr. CROFT. No.

Mr. NELLIS. You never attempted to get in touch with the committee for the purposes of service?

Mr. CROFT. No.

Mr. NELLIS. You were arrested by the Sergeant at Arms of the United States Senate and brought here?

Mr. CROFT. I was arrested by the Federal Bureau of Investigation.

Mr. NELLIS. But you know that was through the efforts of the Sergeant at Arms of the United States Senate?

Mr. CROFT. Yes.

Mr. NELLIS. And it was that arrest which brought you before this committee; is that right?

Mr. CROFT. Yes; that is right.

Mr. NELLIS. Now, Mr. Croft——

Senator O'CONOR. Pardon me, Counsel, but are you through with that one phase of it?

Mr. NELLIS. Yes.

Senator O'CONOR. I have one question, Mr. Croft.

Mr. Croft, you made mention of the fact that you had advised a process server——

Mr. CROFT. A process server? No.

Senator O'CONOR. Who was it?

Mr. CROFT. I sent word back to the newspapers in Cincinnati by a surgeon, and I told him to tell them, and he said that Mr. Croft was at 8620 Byron; his phone number is there; he lives there with his wife.

Senator O'CONOR. And that was a surgeon, you say?

Mr. CROFT. A surgeon, a doctor.

Senator O'CONOR. You suggested that he go to the newspapers?

Mr. CROFT. Yes; which he did.

Senator O'CONOR. What newspapers?

Mr. CROFT. Well, the Times-Star, and the Post. I don't know who Nixon Denton is with. I would say the Times-Star and the Post.

Senator O'CONOR. And they both are in——

Mr. CROFT. In Cincinnati.

Senator O'CONOR. All right, Mr. Nellis.

Mr. NELLIS. I might say for the record merely this: Such information was never communicated to the committee or the staff.

Mr. CROFT. Well, Jerry Hurder—I don't know what paper he is with—and Nixon Denton and Joe Garrison knew about it.

Mr. NELLIS. Have you ever been arrested, Mr. Croft?

Mr. CROFT. Have I ever been arrested?

Mr. NELLIS. There is no need for you to repeat the question each time. Just answer the question.

Mr. CROFT. For minor charges.

Mr. NELLIS. Let's start with the first. When was your first arrest?

Mr. CROFT. I cannot remember.

Mr. NELLIS. Was it during the bootlegging era?

Mr. CROFT. No; I have never been a—wait a minute, during the bootlegging era? I just cannot remember.

Mr. NELLIS. There was an arrest; wasn't there?

Mr. CROFT. There was an arrest.

Mr. NELLIS. And it had something to do with liquor; didn't it?

Mr. CROFT. Yes.

Mr. NELLIS. Do you remember the instance?

Mr. CROFT. No; I don't recall the incident.

Mr. NELLIS. Were you buying or selling liquor?

Mr. CROFT. This was a long time ago [conferring with counsel].

Well, I refuse to answer on the ground that it may tend to incriminate me.

Mr. FORD. He means, the question as to buying and selling liquor; he does not mean about the conviction.

Mr. NELLIS. On what grounds?

Mr. CROFT. On the ground that it might incriminate me.

Mr. NELLIS. Of what offense?

Mr. CROFT. Of what offense?

Mr. NELLIS. Yes.

Mr. CROFT. I talked to Mr. Ford this morning, and he told me so many things that it can come under. Conspiracy, Federal conspiracy.

Mr. NELLIS. Continuing conspiracy?

Mr. CROFT. Continuing conspiracy.

Mr. NELLIS. You know that the statute of limitations has obviously run on any offense you may have committed before the repeal of prohibition; do you not?

Mr. CROFT. I still refuse to answer.

Mr. NELLIS. Mr. Chairman, I respectfully request that the Chair direct the witness to answer the question.

Senator O'CONNOR. Yes. I will so direct you, and it is understood that he has refused to answer. I don't want to repeat it unnecessarily each time.

Mr. FORD. I wonder if you would state the understanding in the record, in order to save repeating it, that when he does refuse to answer the basis of his refusal, and the committee has directed him, after he refuses to answer, then if he still refuses to answer the record will show that.

Senator O'CONNOR. We may have that understanding.

Mr. NELLIS. Were you arrested subsequent to this arrest?

Mr. CROFT. Subsequent?

Mr. NELLIS. Yes, later.

Mr. CROFT. Later, yes.

Mr. FORD. Now wait for the next question, because each question stands by itself.

Mr. NELLIS. You were arrested?

Mr. CROFT. Yes.

Mr. NELLIS. Do you remember what year it was?

Mr. CROFT. What year it was?

Mr. NELLIS. Yes.

Mr. CROFT. This year.

Mr. NELLIS. Just this year?

Mr. CROFT. Yes.

Mr. NELLIS. What was the charge?

Mr. CROFT. What was the charge?

Mr. NELLIS. Yes.

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. You refuse to answer what charge you were arrested on, even though it is a matter of public record?

Mr. FORD. May I consult with the witness?

Mr. NELLIS. Surely; why don't you?

(Conference between counsel and witness.)

Mr. FORD. May he be permitted to answer what the charge was?

Mr. NELLIS. Surely; that is the question.

Mr. CROFT. Now, you are asking me what the charge was?

Mr. NELLIS. What were you arrested for?

Mr. CROFT. Gambling.

Mr. NELLIS. Gambling?

Mr. CROFT. Yes.

Mr. NELLIS. In what jurisdiction?

Mr. CROFT. What jurisdiction?

Mr. NELLIS. Yes. Mr. Croft, I think you are just cluttering up the record by repeating my question each time.

Mr. CROFT. Oh, I didn't know I was doing that. Newport.

Mr. NELLIS. Just answer; you don't need to repeat every question.

Senator O'CONOR. Was that Newport?

Mr. CROFT. Kentucky.

Senator O'CONOR. N-e-w-p-o-r-t?

Mr. CROFT. That is right.

Mr. NELLIS. It was for gambling; is that right?

Mr. CROFT. That is right.

Mr. NELLIS. Did that have anything to do with the clubs in which you were a partner?

Mr. CROFT. I refuse to answer that on the ground it may tend to incriminate me.

Mr. NELLIS. On what offense, Mr. Croft?

Mr. CROFT. Well——

Mr. FORD. May I consult with the witness?

Mr. NELLIS. Yes, surely.

Senator O'CONOR. Yes.

(There was a conference between counsel and witness.)

Mr. FORD. The witness is ready to answer the question. You asked him as to what the offense was?

Mr. NELLIS. Yes. Of what offense?

Mr. CROFT. I refuse to answer on the ground it may incriminate me, and then you say why?

Mr. NELLIS. Yes.

Mr. CROFT. Of a Federal conspiracy that may come from that.

Mr. NELLIS. Was the arrest on a State gambling charge?

Mr. CROFT. The income tax angle may come up.

Mr. NELLIS. But was the arrest on a State gambling charge, violation of the statutes of the State of Kentucky?

Mr. CROFT. Yes.

Mr. NELLIS. It was, was it not?

Mr. CROFT. May I say something, Senator?

Senator O'CONOR. Go ahead.

Mr. CROFT. Without even consulting Charlie, you are asking me things that I don't want to give the wrong answer to, and when you say a State charge, yes, it would naturally be a State charge.

Mr. NELLIS. You don't know of any Federal crime of gambling?

Mr. CROFT. It is the tax.

Mr. NELLIS. In other words, your privilege is asserted, am I correct, on the ground that an arrest for a State gambling charge may in some way incriminate you?

Mr. CROFT. No.

Mr. FORD. Wait, listen for the complete question.

Mr. NELLIS. That it may in some way incriminate you under a Federal offense; is that the basis of your refusal to answer?

Mr. CROFT. Yes.

Mr. FORD. He was going to name another Federal offense. He gave you two. What is the third one?

Mr. CROFT. Leaving from one State to another.

Mr. FORD. In order to avoid a State prosecution; it becomes a Federal offense if you violate a State law and you leave that jurisdiction and go into another, and by the going there you have committed a Federal offense.

Mr. NELLIS. First of all, were you convicted on that offense?

Mr. CROFT. Was I convicted? No.

Mr. NELLIS. You were not convicted?

Mr. CROFT. No.

Senator O'CONOR. Has it been tried yet?

Mr. CROFT. It was tried.

Senator O'CONOR. What was the outcome?

Mr. CROFT. It was thrown out.

Mr. NELLIS. Have you been arrested on any occasions between the——

Mr. CROFT. Pardon me just a minute again. I want to say something else in connection with that.

Senator O'CONOR. All right.

(Witness confers with attorney.)

Mr. FORD. The witness would like to stand on what he said, but add to it, as to another offense he was charged with at the same time.

Mr. CROFT. There was a charge of resisting an officer.

Mr. NELLIS. What year was that?

Mr. CROFT. That was at the same time that this other came up.

Mr. NELLIS. What were the circumstances?

(Witness confers with attorney.)

Mr. CROFT. I refuse to answer.

Mr. NELLIS. You refuse to answer under what circumstances you were charged with resisting the officer?

Mr. FORD. That is as to the circumstances. If you want to go off the record, I am sure you will agree with me when I tell you the circumstances——

Mr. NELLIS. Mr. Chairman, I prefer to stay on the record.

Mr. FORD. O. K. Excuse me.

Senator O'CONOR. Yes.

I will ask this, which is just a matter of record, and it does not go to the point you have in mind:

Was the charge of resisting an officer actually brought to trial and concluded?

Mr. CROFT. I pled guilty to that.

Senator O'CONOR. Off the record.

(Discussion off the record.)

Senator O'CONOR. On the record. Will you read the last question, please?

(Record read by the reporter.)

Senator O'CONOR. Having pled guilty to the charge, what then was done by the court?

Mr. CROFT. The court?

Senator O'CONOR. Yes.

Mr. CROFT. When I pled guilty to the charge of resisting, I was fined.

Senator O'CONOR. Fined what; do you remember?

Mr. CROFT. I cannot remember, I just cannot remember.

Senator O'CONOR. Well, I mean——

Mr. CROFT. I don't know whether it was \$250 or——

Mr. FORD. Well, give us your best recollection.

Senator O'CONOR. Yes; to the best of your recollection.

Mr. CROFT. \$250, I think.

Senator O'CONOR. All right.

Mr. FORD. The other question was about the circumstances.

Mr. NELLIS. I asked what were the circumstances of that arrest.

Mr. CROFT (conferring with counsel). I refuse to answer.

Mr. NELLIS. On the same ground?

Mr. CROFT. On the same ground.

Mr. NELLIS. All right.

Senator O'CONOR. And it will be understood that he is instructed to answer, and still refuses.

Mr. FORD. Yes.

Senator O'CONOR. All right, Mr. Nellis.

Mr. NELLIS. Now, Mr. Croft, have there been any other arrests or convictions in the last 25 years?

Mr. CROFT. You brought up the first one, it was bootlegging?

Mr. NELLIS. That is right.

Mr. CROFT. That and this is the only time.

Mr. NELLIS. Those are the only two arrests?

Mr. CROFT. May I talk with my attorney?

Senator O'CONOR. Yes.

Mr. CROFT (conferring with attorney). Yes.

Mr. NELLIS. There have been other arrests; isn't that right?

Mr. CROFT. Yes.

Mr. NELLIS. Just briefly, what was that about? I want that on the record, that you admit knowing it.

Mr. CROFT. That was a gambling charge.

Mr. NELLIS. Another gambling charge, also in northern Kentucky?

Mr. CROFT. No; this was in Ohio—Cleveland, Ohio.

Senator O'CONOR. And when was that, to the best of your knowledge?

Mr. CROFT. I was just a young fellow; that has been 25 years ago.

Senator O'CONOR. More than 20 years ago?

Mr. CROFT. Oh, yes.

Mr. NELLIS. You originally came from Cleveland to the area around Cincinnati; isn't that right?

Mr. CROFT. That is right.

Mr. NELLIS. Did you know Morris Kleinman and Louis Rothkopf and Thomas J. McGinty in those days in Cleveland?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. Did you know Samuel Tucker in those days in Cleveland?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. Did you know Moe Dalitz, alias Davis?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Did you know Charles Polizzi?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Did you know James Brink, or do you know James Brink?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. Is it not a fact that your principal line of business for the past 20 years has been the gambling business?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. Is it not a fact that you are presently a partner in an enterprise called Beverly Hills Country Club at Southgate, Ky.?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Allow me to continue the question before you refuse.

Mr. CROFT. I am sorry.

Mr. NELLIS. And is it not a fact that you are presently a partner with the Cleveland gambling syndicate and others, in an establishment called the Yorkshire Club at Newport, Ky.?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. How many other gambling clubs or casinos or ventures have you been engaged in in the last 20 years?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. What other illegal businesses have you been engaged in in the last 20 years?

Mr. CROFT. I did not get your question.

Mr. NELLIS. What other illegal businesses besides the gambling business have you been engaged in?

Senator O'CONOR. If any.

Mr. NELLIS. If any.

Mr. CROFT. I refuse to answer.

Senator O'CONOR. Would you mind bringing in that matter of 20 years in regard to any other gambling operation, I mean, in regard to the questions, as to how long it has been?

Mr. NELLIS. Yes, Mr. Chairman, I am coming to these ventures specifically.

Senator O'CONOR. All right.

Mr. NELLIS. Have you had any legitimate occupation at all in the last 5 years?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. You refuse to answer about legitimate occupation?

Mr. CROFT (conferring with counsel). Yes; I refuse to answer that question.

Mr. NELLIS. Have you ever had any legitimate occupation?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. Are you not in fact now a partner in the Beverly Hills Country Club?

Mr. CROFT. I refuse to answer that question.

Mr. NELLIS. Are you not a partner now in the Yorkshire Club?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Are you a partner in the Latin Quarter?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Are you a partner in the Flamingo Club?

Mr. CROFT. I refuse to answer.

Senator O'CONOR. Where are they located?

Mr. CROFT. These are all clubs in northern Kentucky, in the counties of Kenton and Campbell.

Mr. NELLIS. Do you know George Gugel, chief of police at Newport?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Have you ever given him any sums of money for any reason whatsoever, directly or indirectly?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Do you know Thomas Fitzpatrick, ex-sheriff?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Have you ever given him any sort of money?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Do you know the present sheriff of Kenton County?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Have you ever made any political contributions of any type?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Have you ever made contributions to the campaigns of law-enforcement officers?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Have you ever bribed or corrupted any law-enforcement officer?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Do you know Red Masterson?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Is he not a partner of yours?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Under what circumstances did the Cleveland gambling syndicate come to northern Kentucky?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Have you had any gambling enterprises in the State of Florida?

Mr. CROFT. I refuse to answer.

Mr. NELLIS. Mr. Chairman, I think the record is made with respect to this witness.

I have a number of other questions, but I think the Chair will agree that it is useless to proceed.

Senator O'CONOR. Well, now, I will say to the witness and to counsel, that it is understood that the series of questions, which we did not interrupt to instruct specifically the witness to answer, that the Chair does desire to instruct the witness to answer each and every one of them, and it is understood that he still declines and refuses to answer?

Mr. FORD. On the grounds stated; yes.

Senator O'CONOR. Do you have any other phase you want to go into?

Mr. NELLIS. One last phase, Mr. Chairman.

Senator O'CONOR. Go ahead.

Mr. NELLIS. How did you obtain the services of Mr. Ford?

Mr. CROFT. Mr. Ford? I knew Charlie 20 years ago.

Mr. NELLIS. Did you meet him here in Washington?

Mr. CROFT. I came here without an attorney.

Senator O'CONOR. Counsel, I do think that, of course, it is eminently proper for the witness to have counsel.

Mr. NELLIS. Yes, Mr. Chairman, and I should explain my reasons—

Mr. FORD. I would like the record to show that I have no objection to the question.

Senator O'CONOR. You did not object.

Mr. FORD. I have none whatsoever.

Senator O'CONOR. I, however, raised the point. I do feel that, of course, if a witness appears he has a perfect right to be represented, and naturally we welcome Mr. Ford here, so while he does not make any objection, I do think that unless there is some specific point bearing on any alleged criminal activity of the witness, that it need not be pursued further.

Mr. NELLIS. May we be off the record 1 minute, sir?

Senator O'CONOR. Yes, off the record.

(Discussion off the record.)

Senator O'CONOR. I have suggested that in perfect fairness to everybody concerned, so that no insinuation be made, or no inference be drawn from the retention of counsel, which is eminently proper, if there is any question of the witness that would be in order.

Mr. NELLIS. Mr. Chairman, may I say that I had no intention of creating any insinuation about Mr. Ford. I merely wanted the record to show by questioning the circumstances which Mr. Ford was retained by Mr. Croft.

Senator O'CONOR. I rather assume that you might have in mind something related to another incident or enterprise or activity, or some matter of that sort, and if so I think it would be preferable to ask it that way.

Mr. NELLIS. Yes.

Mr. FORD. May I make a statement in that regard? Insofar as I am concerned, as an attorney, I offer myself now as a voluntary witness to be sworn and give testimony now as to any employment I have had in any of these cases.

Mr. NELLIS. I have no desire to question you.

Mr. FORD. I appeared in Chicago.

Senator O'CONOR. You have not made any objection, Mr. Ford.

Mr. NELLIS. You appeared in Chicago for Mrs. Ann Fischetti?

Mr. FORD. Yes, she was asked that question, how she got me, and I think she answered it and explained all about it.

Mr. NELLIS. May we have a brief answer from Mr. Croft, and I think that will satisfy the record.

You first met Mr. Ford 20 years ago?

Mr. CROFT. Yes.

Mr. NELLIS. When you came to Washington, I take it when you decided to secure counsel you naturally went to Mr. Ford; is that the answer?

Mr. CROFT. Can I tell it my way?

Mr. NELLIS. Surely.

Mr. CROFT. When I was picked up I did not have an attorney, and I was coming here first without an attorney. They wanted me to make bond, or gave me the privilege of making bond, and I did not do it. The two officers brought me here.

In the meantime I had called Charlie Ford, knowing him over a period of years, 18 or 20 years, back to 1929 or 1930, and I made arrangements, when I called, Charlie was not there——

Mr. FORD. Tell him when it was, give him the time and place. You mean yesterday?

Mr. CROFT. Yes, yesterday when I called him, I think it must have been approximately 3 o'clock when I called for Mr. Ford, and then I could not get him.

When I got in last night, the Sergeant at Arms told me that Mr. Ford had made arrangements for a bond for me. I did not take a bond until I found out that that was the only way that it could have been handled.

Mr. NELLIS. That is all.

Mr. CROFT. I made arrangements to meet Mr. Ford this morning.

Senator O'CONOR. Off the record.

(Discussion off the record.)

Senator O'CONOR. On the record.

Mr. NELLIS. I have one last question on the record: Mr. Croft, do you know whether you are actively being investigated by the Bureau of Internal Revenue?

Mr. CROFT (conferring with counsel). Yes, I feel that way.

Mr. NELLIS. Do you have any basis for knowing whether or not they are investigating you?

Mr. CROFT. I feel like in this business we are always being checked.

Mr. NELLIS. You mean, it is a general feeling that you have?

Mr. CROFT. No, I do believe that this particular place is being checked. Yes, I believe that I am being checked.

Senator O'CONOR. Have you any specific information as to how you know that?

Mr. CROFT. Not as to being notified.

Mr. NELLIS. You have not been examined by any revenue agent or Intelligence Unit agent?

Mr. CROFT. No; not as yet.

Senator O'CONOR. Now, Mr. McElzeney is here, and he is the official representative of the Sergeant at Arms to the Senate.

Mr. McElzeney, we have conducted this hearing in executive session of the witness John Croft, and certain questions were asked of him which he declined to answer, and upon being instructed he still persisted in his declination, as the result of which I feel it is necessary to report it to the full committee, and pending that report and any action, it would be the decision of the subcommittee to have Mr. Croft remanded to your custody, with the understanding that arrangements can be made for him to be released on the same bail of \$10,000.

Mr. McELZENEY. Returnable when?

Senator O'CONOR. The same time as the other people.

Mr. FORD. We placed that bond.

Senator O'CONOR. O. K. I understand. All right.

Mr. FORD. Will somebody tell us when they want us to appear?

Mr. McELZENEY. We will notify you.

(Whereupon, at 11:15 a. m., the subcommittee adjourned.)

APPENDIX

EXHIBIT No. 17

SOUTHERN MARYLAND AGRICULTURAL ASSOCIATION
OF PRINCE GEORGE'S COUNTY,
Baltimore 1, Md., January 5, 1951.

HOWARD SPORTS DAILY, INC.,
Baltimore 1, Md.
(Attention: Mr. Paul Eckert.)

DEAR MR. ECKERT: As president of the Southern Maryland Agricultural Association, it has recently come to my attention, following an audit of our books, that arrangements were made with your company by our general manager, Mr. L. Ed O'Hara, for the Howard Sports Daily, Inc., to have a direct wire to Bowie race track during the early fall meeting of this year.

Since this fact was unknown to our board of directors, that is the fact of this arrangement, and since such a matter is directly contrary to the rules of the racing commission and since this money was apparently paid in cash, I am writing you this letter to the effect that I have on hand, payable to the Howard Sports Daily, Inc., a certified check in the amount of \$2,400, which I wish to present to you since the Southern Maryland Agricultural Association does not wish to have anything to do with the money so paid since it was unauthorized and contrary to the racing commission's direct orders.

Will you kindly accept the within check and acknowledge receipt thereof on the copy of this letter which will be delivered to you in person.

Very truly yours,

SOUTHERN MARYLAND AGRICULTURAL ASSOCIATION,
JOHN W. FARRELL, *President.*

EXHIBIT No. 26

[H. R. 1278, 82d Cong., 1st sess.]

A BILL To amend the Liquor Enforcement Act of 1936

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Liquor Enforcement Act of 1936 (27 U. S. C., sec. 223) is hereby amended by relettering subsection (b) thereof as subsection (c) and by adding at the end of subsection (a) a new subsection to read as follows:

"(b) Whoever shall import, bring, or transport, or attempt so to do, or assist in so doing, any intoxicating liquor into any State in which all sales (except for scientific, sacramental, medicinal, or mechanical purposes) of intoxicating liquor containing more than 4 per centum of alcohol by volume are not prohibited but in which there is any county, city, or other political subdivision thereof where all sales or sales for other than scientific, sacramental, medicinal, or mechanical purposes of such intoxicating liquor are prohibited, shall, if the law of such State now or hereafter requires that any person importing, bringing, or transporting intoxicating liquor into such State, whether for delivery or use therein or for passage through such State, secure a permit authorizing such movement, and if such liquor is not accompanied by such permit, be guilty of a misdemeanor and shall be fined not more than \$1,000 or imprisoned not more than one year, or both."

EXHIBIT No. 28

J. B. WENGER

WHOLESALE LIQUOR DEALER

Cairo, Ill.

Sold to Charles Overton Jones,
Address Fayetteville, N. C.September 19, 1949.
No. 4008

80 Cs Seagram 7 Crown, pt, \$39.75-----	\$3, 180. 00
25 Cs Seagram 7 Crown, 1/2s, \$40.50-----	1, 012. 50
71 Cs Calvert Reserve, pt, \$39.50-----	2, 804. 50
75 Cs Calvert Reserve, 1/2s, \$40.25-----	3, 018. 75
3 Cs Calvert Reserve, 5s, \$31.65-----	94. 95
4 Cs Calvert Reserve, Ms, \$43.50-----	174. 00
22 Cs Schenley Resv, pt, \$39.50-----	869. 00
20 Cs Schenley Resv, 1/2s, \$40.25-----	805. 00
5 Cs Cream of Ky, pt, \$35-----	175. 00
10 Cs Imperial Walker, 5s, \$27.50-----	275. 00
20 Cs Century Club, pt, \$40-----	800. 00
Cases (335)-----	13, 208. 70

Federal stamps only.

STATE OF ILLINOIS,

Alexander County, ss.

I hereby swear that the within-described alcoholic liquors were received by me from the seller herein, at the place and on the date and year first above written.

That I will transport and deliver the above liquor to the above address and that none will be sold or delivered directly or indirectly into the State of Kansas.

That I hereby agree as part of the consideration for the merchandise to execute the affidavit on the bottom of the duplicate of this invoice immediately on my arrival at above address and mail such affidavit and invoice to J. B. Wenger, Cairo, Ill.

That I have read the foregoing affidavit and the same is true and correct and is voluntary made by me for the express purpose of securing above-listed merchandise from J. B. Wenger and to expressly guarantee to him that the name and address of the purchaser is correct.

CHARLES O. JONES.

Subscribed and sworn to before me this -- day of ----- 19--.

-----,
Notary Public.

STATE OF -----,

County of -----, ss:

I acknowledge receipt of the within-described alcoholic liquors at my place of business in ----- on the date and year first above written.

CHARLES O. JONES,
Purchaser.

Subscribed and sworn to before me this -- day of -----, 19--.

EXHIBIT No. 32

MEMORANDUM

· E

APRIL 9, 1951.

To: Senator Kefauver, Chairman,

From: Agnes S. Wolf, Investigator.

Subject: Summary and Legislative History of H. R. 137 and S. 22, bills to amend the Internal Revenue Code and the Federal Alcohol Administration Act.

SUMMARY OF BILLS

H. R. 137 and S. 22, companion bills introduced in the Eighty-second Congress by Representative Cecil King, of California, and Senator Pat McCarran, of Nevada, would strengthen enforcement, supervision, and control of the liquor industry in the following manner:

1. The forfeiture provisions of the Internal Revenue Code would be extended to provide forfeiture of all distilled spirits found in any cask, package, or case not having the marks and stamps required by law. The code presently limits forfeiture to all distilled spirits found in any cask or package containing 5 wine gallons or more which are not properly marked. The proposed amendment would have the effect of discouraging erasure of serial numbers.

2. The basic permit provisions of the Federal Alcohol Administration Act would be strengthened by—

(a) eliminating the provisions which make mandatory a suspension only of permit privileges for a first violation of the conditions of the permit. Thus, a basic wholesalers permit could be revoked for a first violation.

(b) requiring issuance of basic permits on an annual basis instead of present provision granting permits for indefinite periods. This would result in closer scrutiny of the liquor industry by permitting annual reexamination of the qualifications of applicants for basic permits.

(c) conditioning basic permits on compliance with all Federal laws directly or indirectly relating to distilled spirits, wine, and malt beverages. Addition of the words "directly or indirectly" would have the effect of giving the Treasury Department authority to act in any future situations where price controls on liquor are involved. During World War II, investigations involving the liquor black market were hampered because the courts declined to take the view of the Treasury Department that the Price Control Act was a Federal law relating to distilled spirits.

(d) conditioning basic permits on the conduct of operations in conformity with laws of a State or States in which operations are conducted. This would give legislative sanction to present administrative practice.

3. Certain other minor provisions would be added to make the law conform with the annual renewal of basic permits which is proposed.

4. All basic permits presently in force would expire on December 31, 1951, so as to place all current permits on the proposed yearly basis.

SUMMARY OF LEGISLATIVE ACTION ON THE PROPOSED BILLS

Bills similar to H. R. 137 and S. 22 were introduced in the Seventy-eighth, Seventy-ninth, Eightieth, and Eighty-first Congresses, but none were ever enacted into law despite the approval of the Treasury Department and favorable action by the House Ways and Means Committee, and in the Eighty-first Congress by the House.

The forerunners of the present bills were introduced in the Seventy-eighth Congress by Senator Harley Kilgore, of West Virginia, and Representative Cecil King, of California. The introduction of these bills followed the hearings and reports growing out of a Senate investigation of the liquor industry and the liquor black market during World War II.

In the Eighty-first Congress, the House, by unanimous consent, passed H. R. 3229, similar to the present bill H. R. 137. The House Ways and Means Committee did not hold public hearings on H. R. 3229, but did hear Deputy Commissioner Dwight E. Avis, of the Alcohol Tax Unit, in executive session in support of the bill. Following House passage of H. R. 3229, Senator McCarran proposed his companion bill, S. 22, as an amendment to another bill amending the Internal Revenue Code, but the Senate failed to take action on the bill.

On the first day of the present Eighty-second Congress, Representative King introduced H. R. 137, and the House Ways and Means Committee reported it favorably on January 15, 1951. The Ways and Means Committee did not hold hearings on the bill. The committee staff reported that after the bill had been favorably reported, the committee received considerable correspondence in opposition to the bill, mostly from liquor wholesalers.

On January 20, 1951, the Ways and Means Committee requested a rule on the bill from the House Rules Committee. A hearing before the Rules Committee was scheduled for January 22 but was postponed. As of this date, the bill is still pending in the Rules Committee.

In the Senate, Senator McCarran reintroduced his bill, S. 22, on January 8, 1951, and it was referred to the Senate Finance Committee. The Finance Committee must await House action on H. R. 137, since bills involving amendments to the Internal Revenue Code must originate in the House.

To summarize, Congress has had legislation before it to strengthen enforcement, supervision, and control of the liquor industry since 1944 but so far has failed to take final action on such legislation.

EXHIBIT No. 50

MARCH 14, 1951.

MEMORANDUM

To: The Committee.

From: E. E. Goldstein.

Subject: Relationship between Ford Motor Co. and Automotive Conveying Co. of New Jersey.

During the week of February 12, 1951, subsequent to the hearings conducted by you in Detroit, we conferred with Trial Examiner R. Edwin Brady of the Interstate Commerce Commission. Examiner Brady came to us to offer the cooperation of the Interstate Commerce Commission with respect to our investigation of the infiltration of hoodlums into the business of automobile conveying.

Of particular interest to us was the Automotive Conveying Co. of Cliffside, N. J. Two hundred and ten shares of this company are held by Joe Adonis and his wife and an equal amount is held by Charles Ciri. The remaining 30 shares are held by Messrs. Farr and Bonadio who apparently are in charge of that company's operations.

Mr. Brady explained to us that carriers such as Automotive had been granted certificates which gave them what are known as initial and secondary rights. Initial rights relate to the right to haul cars from a particular assembly plant or factory area to dealers in an area covering several States. Secondary rights permit the carrying of cars and trucks, both new and used, between points in several States and permit the carriage of different makes as distinguished from the initial right which normally relates to the carriage of the products of a single individual producer of cars, or carriage from a single originating point which may or may not involve one producer.

Mr. Brady stated that an examination of the Interstate Commerce Commission's files disclosed one unusual matter which was so extraordinary as to suggest a further investigation. The matter in question involves an application by Automotive Conveying Co. of New Jersey (Adonis) in November of 1946 for the extension of its secondary rights to include, among others, Delaware and Rhode Island, and traversing rights across New Hampshire. This extension was protested on November 14, 1946, by Mr. Van Holmgren Tanner as attorney for Nu-Car Carriers, Inc., of Chester, Pa., and University Overland Express, Inc., of Somerville, Mass. Both corporations are controlled by the family of Mr. L. J. Lishon, Sr. The active operation of Nu-Car is presently under the direction of Mr. L. J. Lishon, Jr. The active operation of University Overland Express is presently under the direction of Mr. L. Cushing Tucker.

The unusual incident was the fact that on November 21, 1946, Mr. Van Holmgren Tanner, by a telegram, withdrew the afore-mentioned protest.

Mr. Brady informed us that the normal practice, once a protest was entered, was either actively to carry forward the protest or to let it drop. His experience of some 10 years with the Interstate Commerce Commission indicated that the affirmative action of withdrawing a protest, as was done in this case, was absolutely unique. Copies of the letter of November 14, 1946, and the telegram of November 21, 1946, are attached hereto as exhibit 1.

At your direction, I, therefore, undertook to ascertain the reason for the affirmative withdrawal on November 21, 1946, of the protest of November 14, 1946.

On February 19, 1951, I went to Chester, Pa., where, after a preliminary conference with Mr. F. R. Emerson, terminal manager of the Nu-Car Carriers, Inc., I interviewed Mr. L. J. Lishon, Jr.

Mr. Lishon, Jr., stated that Nu-Car was a common carrier which had initial rights out of Chester, Pa., Metuchen, N. J., and Norfolk, Va. At all of these points, there are assembly plants which are controlled by Ford or its Mercury subsidiary. Mr. Lishon said that in every case their activities relating to extension of rights had been actively supported by Ford. He also stated that Ford had, on previous occasions, supported other carriers in their applications for an extension of rights which were competitive with their own initial rights. Mr. Lishon stated that both Nu-Car and University Overland had always opposed any infringement of their territories and his first recollection was that they had never withdrawn a protest against such an infringement. However, Mr. Lishon's recollection was refreshed and he did remember both the protest of November 14, 1946, and the affirmative withdrawal of November 21, 1946.

He immediately stated, without any hesitation, that there must have been some pressure from an outside source which was responsible for the admittedly

unique act of withdrawing this protest. At first, Mr. Lishon could not recall the source of this pressure and he, therefore, called Mr. L. Cushing Tucker of University Overland Express in Somerville, Mass. After talking to Mr. Tucker Mr. Lishon stated that he believed that the pressure came from Mr. Lou Holloway, traffic manager of the Ford plant at Edgewater, N. J. It is from this plant that Automotive Conveying, the Adonis-controlled corporation, has initial rights, and no competitor has a right to make an initial haul-away from that plant.

An informant has characterized Mr. Holloway as a person who is often wine and dined and lavishly entertained by persons associated with Automotive Conveying.

Mr. Lishon stated that any files relating to the withdrawal of the protest would be in Somerville, Mass., and that without subpoena these files would be made available to me by Mr. Tucker.

Mr. Lishon further stated that it was possible that a former employee, Sidney Friedkin, who is now vice president of Automobile Transport, Inc., of Detroit, would have knowledge of this matter. Mr. Friedkin's company hauls Lincolns from the Detroit area.

Mr. Lishon also stated that there was a possibility that Mr. Jack Wallace, traffic manager for Ford in Detroit, would have knowledge of this matter.

Upon my return to Washington on February 20, I called Mr. Friedkin in Detroit. Mr. Friedkin stated that he had absolutely no knowledge of the 1946 situation and that it was a matter known only to the Lishons. However, it should be noted that a subsequent investigation of the Somerville, Mass., files disclosed that a letter dated November 4, 1946, from the law firm of Matheson, Dixon & Brady, Penobscot Building, Detroit, Mich., signed by Walter N. Biene-man, conveyed the information to Mr. Tanner concerning Automotive's application and that the letter indicates that a copy was also sent to Mr. Friedkin.

On February 20, I also located Mr. Tanner who is now a major, stationed at the Maxwell Air Force Base, Maxwell Field, Ala. I discussed the 1946 situation with Major Tanner and he stated that he had received direct orders both to file the protest and to withdraw the protest from Mr. L. J. Lishon, Sr., who had actually founded the automobile conveying industry.

Major Tanner's first recollection was that the traffic manager, Mr. Charles Isett, at Chester, Pa., had been involved in the request for the withdrawal of the protest but he did not discount the possibility that Mr. Holloway might have been involved. Major Tanner also recalled facts which have subsequently been confirmed from other sources concerning the activities of young Henry Ford during that period.

In essence, it appears that young Henry Ford was, at this time, trying to break up what remained of the Harry Bennett empire and that he was motivated by a feeling that Bennett's activities had materially contributed to his father's ill health and subsequent death. In this endeavor to rid the Ford corporation of Bennett influence, the Edgewater, N. J., plant proved to be an almost impregnable stronghold of the Bennett interests, and negotiations at that time to have the Lishons take over the Adonis interests, as part of the clean-up, failed. This failure, according to some source of information, is attributed to Lishon's unwillingness to incur the animosity of the Adonis interests without active support from the Ford plant at Edgewater. Apparently, this active support was not forthcoming.

The failure to break up the Bennett interests at Edgewater is clearly shown by the extension of the Automotive Conveying Co.'s secondary rights which was accomplished with the active support of the Ford Motor Co., as is shown by the record of the testimony given by Lou Holloway, traffic manager for Ford at Edgewater, N. J., on November 25, 1946, in behalf of Automotive's application for an extension, the extension which infringed on Nu-Car and University Overland Express. This testimony appears in Interstate Commerce Commission Docket No. MC 31820, Sub. 21. A copy of this testimony is annexed as exhibit 3-A.

On February 23, 1951, I went to the offices of University Overland Express at Somerville, Mass. These offices, as are the offices of Nu-Car, are located directly across the street from the Ford plants in the respective areas. I spent the greater part of the day with Mr. L. C. Tucker who operates University Overland for the Lishons.

The files maintained by University Overland show only, in addition to the protest and the withdrawal, a letter of November 4, 1946, previously referred

to, which provided the information upon which the protest was based, and a letter acknowledging the November 4 communication. Mr. Tucker agreed, without any hesitation, that the withdrawal of the protest was unique and that it must have resulted from external pressure inasmuch as the Lishon interests would not have permitted a loss of their rights without a fight.

Mr. Tucker, in order to be absolutely certain that his evaluation of the situation was correct, called the Boston office of the Interstate Commerce Commission and had read to him over the phone the final certificate which was granted as a result of Automotive's application, which was the subject of the protest and withdrawal. He stated categorically, after having had this certificate read to him, that the Lishon interests would certainly not have withdrawn their protest without some outside interference. However, Mr. Tucker was unable, out of his own recollection, to confirm his original impression that Mr. Lou Holloway had been the person who applied the pressure on the Lishon interests. He, therefore, placed a phone call to Mr. Lishon, Sr., at the Mountain Lakes Club, Lake Wales, Fla., and later in the day, Mr. Lishon called back and both Mr. Tucker and I spoke with him.

Mr. Lishon, Sr., agreed that his impression of the matter was that he had received his instructions either from Lou Holloway or from Cap Johnson who had been the head traffic manager at Ford. In any event, he clearly stated to me and to Mr. Tucker that he would not have withdrawn his protest without pressure from the outside. He further stated that he would think the matter over and give us further information as his recollection improved.

Mr. Lishon also told me that on various occasions he had met in hotel rooms with Mr. Charles Chiri of Automotive who, with Adonis, is a major stockholder in Automotive. These several meetings related to the ironing out of possible sources of friction between the two organizations. He also stated that on previous occasions, Cap Johnson had, under instructions from Harry Bennett, conveyed Ford's wishes in matters relating to possible infringements between Automotive and the Lishon interests and apparently Ford's position was always to protect Automotive of New Jersey.

On February 26, after my return to Washington, I received a call from Mr. Tucker in Somerville, Mass. He said that Mr. Lishon, Sr., had called him back from Florida after thinking the matter through and he quoted Mr. Lishon, Sr., as stating "I know damn well that we never backed out of any of those proposals unless we were told to. The more I think of it, the more certain I think I was instructed by Holloway." Mr. Tucker also reported that Mr. Lishon had stated that it was possible that someone in Cap Johnson's office in Detroit had first passed the information on to Holloway and that Holloway subsequently instructed him.

Mr. Tucker also told me that after I left Somerville that he had gone to the Boston Interstate Commerce Commission office and there had read the certificate granted to Automotive as a result of the November application. After having read it, he was even more sure that the Lishon interests had acted under pressure because the circumstances involved related to a situation which, at any other time, would have resulted in very strong opposition.

I again called Major Tanner in an effort to refresh his recollection further on the basis of the information then at hand, and Major Tanner stated that the facts, as I had presented them, were certainly reasonable and more than likely, but that he still did not have a clear independent recollection of what Mr. Lishon told him at the time he was instructed to withdraw the protest. Major Tanner stated that Mr. Lishon probably had stated that he had been instructed by Holloway, but he did not have a fully independent recollection of that fact.

On February 27, I discussed the results of the investigation with Examiner Brady of the Interstate Commerce Commission and he, at that time, made available for my inspection certain files of the Commission in which there appeared Lou Holloway's testimony of November 25, 1946, in which he actively supported Automotive's extension into territories infringing on Nu-Car carriers and University Overland Express (exhibit 3-A). He also made available to me testimony given by Mr. Holloway in July and October of 1946 relating to the new Mercury plant at Metuchen and the granting of initial authority at that plant both to Nu-Car carriers and to Automobile Transport, Inc., of Delaware. In this testimony which appears in Dockets MC 22454, Sub 315 (exhibit 3-B) and MC 87928, Sub 1 (exhibit 3-C) Lou Holloway, speaking as the representative of the Ford Co. with temporary authority over the Metuchen operation, stated

categorically that it was the policy of the Ford Motor Co. to encourage competition in the form of two carriers operating with initial rights out of its plants, and it was on that basis, that the Ford Motor Co. was able to give active support to both Nu-Car and Automobile Transport, who would both haul out of Metuchen, N. J. (exhibit 3-C, p. 33).

I again talked with Mr. Brady, and he said that his first impression that the withdrawal of the protest was unique was more than confirmed by his recent reexamination of the Interstate Commerce Commission files. He further stated that even a cursory study of the printed opinions and decisions by the Commission disclosed a consistent policy of encouraging competition in the automobile carrying industry.

I then propounded to Mr. Brady a hypothetical case in which we assumed the existence of a plant similar to that at Edgewater, N. J. I further postulated the assumption that there was already a carrier whose certificate gave him initial rights at such a plant and that a second carrier had now filed an application for initial rights at the same plant in competition with the first carrier. I asked Mr. Brady if the second carrier, the applicant, would be granted a certificate upon a showing of solvency and sound financial condition, substantial and more than adequate physical equipment and experience, and upon a showing that it would be economically sound for a competing carrier to operate in the area. Mr. Brady stated that one element necessary to the granting of a certificate was, in his opinion, lacking, namely, the active support of the corporation controlling the plant from which the applicant requested initial rights.

Mr. Brady was careful to point out that he was not speaking for the Commission, and he could not bind the Commission, but he was giving his considered judgment based upon years of experience with such cases, and that his answers were more in the nature of expert testimony than in the nature of an agent binding the Interstate Commerce Commission.

Subsequently, on February 28 and March 1, 1951, I received a series of phone calls from Mr. Tucker in which he stated that he, Mr. Lishon, Jr., and Mr. Lishon, Sr., had discussed this matter more fully among themselves and had also discussed the matter with various representatives of the Ford Motor Co. and Automotive Conveying of New Jersey. The result of all of these discussions was that now none of them could testify to there having been any outside pressure which would have caused the withdrawal of their protest. The reason given at this point for the withdrawal of the protest is apparently that Mr. Tanner had acted on his own in a rather hasty fashion, and that the secondary rights involved were really of such small moment that it did not appear worth while for the Lishon interests to argue the problem.

This present point of view may best be understood within the context of my conversation with Mr. Lishon, Jr., on February 19 and subsequent similar conversations with Mr. Tanner, all of which have been confirmed by outside sources. The burden of these conversations was that the Lishons were presently negotiating with Ford to take over the Adonis interests at Edgewater, N. J. An application by Nu-Car for primary rights at Edgewater was filed on March 1, 1951 (exhibits 2 and 4).

It is possible that a clearer understanding of the changed viewpoint of the Lishon interests negating their original admission of outside pressure causing the withdrawal of the protest may be derived from the letter of March 9, 1951, addressed to the chairman of the committee by George W. Laird, acting secretary of the Interstate Commerce Commission (exhibit 1-A). Mr. Laird points out that his field offices have received information indicating that Nu-Car Carriers were "afraid to make any move which would incur the hostility of the present stockholders of Automotive Conveying Co."

It is clear that Major Tanner has stated that he acted in this case on direct instructions of Mr. Lishon, Sr., both with regard to the protest and its withdrawal, and it is further clear that Mr. Tucker, after two occasions during which he studied the certificate granted to Automotive, had no hesitation in stating that the Lishons would never have let the infringement on their rights take place without a strong protest.

The minimization of the secondary rights by Mr. Tucker is also not consistent with the facts that I found at Somerville, Mass. There, due to certain freight-car shortages, University Overland Express was putting on more equipment and more drivers to take on and expand a secondary market which was admittedly very lucrative.

Within a week after my last conversation with Mr. Tucker, the Ford Motor Co., as shown in the attached photostat of an article appearing in the Washington

Evening Star on March 5 (exhibit 4), actively requested that the Interstate Commerce Commission assist it in providing competition to the Adonis interests at Edgewater and thus has given support to Nu-Car's application. The announcement by William T. Gossett, vice president and general counsel of Ford Motor Co., included a statement that they were ready to support the March 1 application by Nu-Car Carriers, Inc.

It would thus appear that the committee's investigation of the relationship between the Ford Motor Co. and the Adonis interests has resulted in action by the Ford Motor Co. to diminish its relationship with Adonis, only to the extent of providing for a competitive carrier at Edgewater, N. J., in the form of the Lishon-controlled Nu-Car Carriers, Inc.

SUPPLEMENTAL DATA

MARCH 30, 1951.

Issue has been made about a letter which I read into the record at one of the recent television sessions of the Crime Committee hearings.

I read that letter to convey the thought that the majority of the Italian-American citizens are good men such as the writer of that letter, and just because a small percentage of these people have done wrong it casts no reflection on the many honest, hard-working, patriotic hyphenated Americans who have contributed their talent and industry to make our country strong and great. My sole purpose in reading this letter was to pay tribute to those fine Americans who—in contrast to a small minority—have given their best to the arts and industries and civic life of these United States.

I felt the spirit of that letter conveyed these thoughts and that it did not need to be clarified by any statement from me. However, if it was misunderstood I am glad to clarify the point that I was trying to make. I count many Italian-Americans among my close and intimate friends.

In the last analysis, we are all hyphenated Americans. The last thing I would have in mind or do would be to cast aspersions on any racial group. I would consider that entirely un-American.

The strength of our country lies in the fact that here are woven into the fabric of American citizenship the blood of all nations, blended into our national life, making for strength and unity.

I will take pleasure in inserting this statement in the committee record.

CHAS W. TOBEY.

THE CITY OF NEWARK, N. J.,
March 27, 1951.

HON. ESTES KEFAUVER,
Chairman, Kefauver Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: In view of the form of questions placed by Mr. Rudolph Halley, general counsel to your committee, at the evening session of March 26, 1951, will you kindly incorporate into the record the enclosed statement which I have this day released to our local newspaper, the Newark Evening News.

Respectfully yours,

CHARLES HANDLER, *Corporation Counsel.*

STATEMENT OF CHARLES HANDLER

The Newark Evening News knows, from my testimony before the Bergen County grand jury, which I related to the editor of the Newark Evening News, and from my statement which I have heretofore given to the Newark Evening News, that the accountant, I. George Goldstein, had never had desk space in any office of mine nor was he ever connected with any office of mine.

Without my permission or knowledge, Mr. Goldstein, sometime in 1946 or 1947, gave my private law office address to the Government as a place to receive social security forms for companies represented by Mr. Goldstein in tax matters. Neither I nor any of my employees had any knowledge of the activities of these companies.

The sworn testimony before the Bergen County grand jury unequivocally establishes that neither I nor any of my associates or employees in my public or private law offices know, or ever had any relations with the men named as being active in any of those companies.

Neither I nor anyone in my offices ever acted as agent or trustee for Mr. Abner Zwillman except in the organization stage of the incorporation of the Diamond T Truck Co., now the GMC Truck Agency. This company was in-

incorporated in New Jersey in about 1947, and is a simple and relatively small truck sales and repair business.

My only other representation of Mr. Zwillman consisted of relatively small matters such as the search of title and examination of papers when his home was purchased.

TREASURY DEPARTMENT,
INTERNAL REVENUE SERVICE,
INTELLIGENCE UNIT, NEW YORK,
New York, N. Y., May 18, 1950.

In re Abner Zwillman.

MR. ARTHUR GARFIELD HAYS,
% Hays, St. John, Abramson & Schulman,
New York 5, N. Y.

DEAR SIR: Reference is made to your letter of April 13, 1950, requesting a conference in connection with the above-named case.

Pleased be advised that your request will be duly granted after submission of the special agent's report, at which time you will be notified of the date and hour set for the conference.

Very truly yours,

J. R. BARADEL, *Special Agent in Charge.*

APRIL 13, 1950.

Re Abner Zwillman.

JOSEPH R. BARADEL,
*Special Agent in Charge, Intelligence Unit,
Treasury Department, New York, N. Y.*

MY DEAR MR. BARADEL: This will confirm our telephone conversation of Tuesday wherein I inquired whether a conference to settle questions of tax liability would be in order at this time. You advised me that you would have to ascertain the status of the matter from the agents who had been working on the case and that I should write you so that you would have a memorandum of my inquiry.

In any event, I should like to make this formal request that we be given a hearing when the investigation is completed.

Cordially yours,

MARCH 27, 1951.

HON. ESTES KEFAUVER,
*Chairman, United States Senate Committee To Investigate Organized Crime
in Interstate Commerce,
Senate Office Building, Washington, D. C.*

DEAR SENATOR KEFAUVER: This letter is submitted in pursuance of your permission to submit certain information by Wednesday morning, March 28, 1951, in connection with the testimony given by Mr. Zwillman before the Senate committee last night.

In order to get this to you in time I am writing this in Washington after obtaining some of the information over the telephone from Newark. This also explains why the letter is not written on our stationery.

Mr. Zwillman testified he was not certain as to what investment he made in the Hudson-Manhattan Co. It appears that Mr. Zwillman purchased 100M face amount of the bonds of that company from Herzfeld & Stearn for \$20,717.50 between November 26, 1947, and December 3, 1947. These bonds were sold on February 27, 1948, and March 1, 1948, to Hirsch & Co. for \$22,298.24.

Mr. Zwillman had no stock in the Hudson-Manhattan Co.

I am also enclosing a copy of an affidavit of Joseph M. Reinfeld dated December 12, 1949, concerning Mr. Zwillman's interest in Browne-Vintners Co., Inc. The original of this affidavit, I am advised, was submitted to the Treasury Department by the attorneys for Mr. Reinfeld.

There is also enclosed a copy of our letter to the Intelligence Unit of the Treasury Department of April 13, 1950, and the reply from Mr. J. R. Baradel, special

agent in charge, dated May 18, 1950. It appears from these letters that the special agents have apparently not completed their investigation since no conference with us has been called as indicated in Mr. Baradel's letter. Furthermore, the press reports of the Treasury Department's list of cases under investigation include Mr. Zwillman's name. Today at the Senate committee hearing I met Mr. Baradel and Mr. Cordes, who assists him. Although they were there on the general matter, Mr. Cordes told me that he had been in the caucus room while Mr. Zwillman was testifying.

Since our client did not wish to waive his privilege against self-incrimination as to the unanswered questions, we sought to supply the information encompassed by such questions from sources other than our client's records and statements, and in the short time available we could not cover more of the matters involved.

We appreciate the courtesies extended to us by your committee and the staff, and thank you for giving us the opportunity to submit this to you. We also thank you for your patience and that of the committee, in permitting us to present our client's position to the committee.

Respectfully yours,

MORRIS SHILENSKI.

NEW YORK 5, N. Y.

APRIL 13, 1950.

Re Abner Zwillman

JOSEPH R. BARADEL,
*Special Agent in Charge, Intelligence Unit,
Treasury Department, New York, N. Y.*

MY DEAR MR. BARADEL: This will confirm our telephone conversation of Tuesday wherein I inquired whether a conference to settle questions of tax liability would be in order at this time. You advised me that you would have to ascertain the status of the matter from the agents who had been working on the case and that I should write you so that you would have a memorandum of my inquiry.

In any event, I should like to make this formal request that we be given a hearing when the investigation is completed.

Cordially yours,

TREASURY DEPARTMENT,
INTERNAL REVENUE SERVICE,
INTELLIGENCE UNIT, NEW YORK,
New York 7, N. Y., May 18, 1950.

In re Abner Zwillman

MR. ARTHUR GARFIELD HAYS,
*c/o Hays, St. John, Abramson & Schulman,
New York 5, N. Y.*

DEAR SIR: Reference is made to your letter of April 13, 1950 requesting a conference in connection with the above-named case.

Please be advised that your request will be duly granted after submission of the special agent's report, at which time you will be notified of the date and hour set for the conference.

Very truly yours,

J. R. BARADEL, *Special Agent in Charge.*

STATE OF NEW YORK,
County of New York, ss:

Joseph H. Reinfeld, being duly sworn, deposes and says:

1. At the request of a representative of the Treasury Department I am submitting this affidavit regarding the circumstances under which the sum of \$358,000 was paid to Abner Zwillman and Joseph Stacher in May 1943.

2. By agreement dated December 20, 1940, Browne-Vintners Co., Inc., agreed to sell all its assets to the Seagram interests for the sum of \$7,500,000. At that time I and various members of my family owned a controlling interest in the stock of Browne-Vintners. Zwillman and Stacher were not stockholders of record but through nominees owned about one-sixth of the stock of that company. The secretary of the company, Joseph Davis, represented the interests of Zwillman and Stacher in Browne-Vintners.

3. The agreement contemplated the dissolution of Browne-Vintners. When the proceeds of the sale were received the net amount remaining, after the payment of all taxes and expenses, was distributed to the stockholders of record and the company was dissolved.

4. This distribution was handled by Samuel R. Cohn, then a director and the accountant and a financial adviser for Browne-Vintners and now deceased. I was not fully familiar with the procedure that he followed but I understand and believe that he obtained from those stockholders of record who were merely nominees, the amounts distributed to them after provision for the payment of their income taxes thereon. From the amounts so received the accountant caused to be paid over to Zwillman and Stacher the amounts they were entitled to receive as the actual owners of the stock, less an amount which the accountant withheld for expenses and contingencies. The exact amount withheld from Zwillman and Stacher I do not recall. However, I do know that the \$358,000 was paid from the amount so withheld, and I do know that the amount withheld included an item of at least \$225,000 which was withheld as hereinafter explained.

In connection with an extensive income-tax investigation of Zwillman, the Treasury Department contended that I and certain other individuals had not included as income in our tax returns for the years 1926 to 1936, inclusive, the amount of what the Treasury Department calculated to be our net worth acquired as income during those taxable years. Assessments were made amounting to \$400,000, \$240,000 of which was assessed against me individually. I decided to pay the assessment in full rather than resort to litigation and it was paid.

As the investigation of the Zwillman income-tax situation was responsible for the proceedings that resulted in these assessments and as he was making a substantial profit on his investment with Stacher in the Browne-Vintners stock, Zwillman suggested to the accountant that he would assume a proportion of the additional taxes so assessed, and of the accompanying expenses. As I understood it, he originally expressed a willingness to pay one-half of the total sum of \$400,000 assessed and one-half of the expenses, or a total of \$225,000. For that reason \$225,000 was withheld when the distributions were made to Zwillman and Stacher. It later developed that Zwillman claimed a complete misunderstanding and he refused to pay any part of the assessment or accompanying expenses. When I was advised that we could not rightfully withhold any part of that amount, the \$225,000 so withheld was included in the amount ultimately paid to Zwillman and Stacher.

5. Shortly after the agreement to sell the assets was made, it became apparent that Zwillman and Stacher were dissatisfied, not only because of the amount withheld but also because of various claims they made as stockholders for a much larger participation in the proceeds of the sale. A controversy arose which continued until May of 1943 when I finally agreed that Zwillman and Stacher were entitled to receive, and they finally agreed to accept, \$358,000 in full payment of the net amount of the balance due them as stockholders of Browne-Vintners.

6. Before this agreement was finally reached there were many conferences, some of which I attended, in which the various claims were discussed. Zwillman and Stacher or their representatives contended they were entitled to receive in excess of \$1,000,000 as the result of the sums wrongfully withheld and the claims they asserted. The more important claims they made are set forth in the following four paragraphs:

7. Zwillman and Stacher claimed that the business of Browne-Vintners was sold at an inadequate price to interests friendly to me at a time when a much higher price could have been obtained in the open market. The facts are that although I believe the Seagram interests were and still are friendly to me, the sale was the result of arm's length bargaining and took place only after I had made several unsuccessful efforts to sell to others at the same or a lower price. It is doubtless true that if we had deferred the sale a year or more, a much higher price could have been obtained but we did not know or anticipate that such favorable conditions for the sale of such a business would develop so soon or ever.

8. Zwillman and Stacher also claimed that when Browne-Vintners was reorganized they were not fully informed or afforded a full opportunity to exercise their rights as stockholders, with the result of a corresponding decrease in their proportion of stock and a substantial reduction in the amount they would otherwise have received from the proceeds of the sale. The facts are that the capital stock of the company was increased in 1937 or 1938 from \$1,000,000 to \$2,000,000 as additional capital was essential to any successful continuance of the business. All stockholders, including Zwillman and Stacher, were afforded the right to

subscribe proportionately to the additional stock. Zwillman and Stacher did not exercise that right. It is true that the percentage of their holdings was decreased. It is also true that I and members of my family acquired some additional stock that we could not have acquired had Zwillman and Stacher subscribed for the additional shares they were entitled to when the increase in capital took place. It was and is my opinion that Zwillman and Stacher had no cause to complain when they learned years later that their failure to subscribe worked to their financial disadvantage.

9. Zwillman and Stacher also claimed that dividends would have been paid to them on the additional stock they should have acquired as set forth in paragraph 8 of this affidavit. I cannot deny that more dividends would have been paid to them if they owned more stock than they did, but in my opinion their claim to such dividends was exactly as unfounded as their claim of a greater interest in the stock of Browne-Vintners than they owned.

10. Zwillman and Stacher also claimed that I had obtained profits belonging to Browne-Vintners by selling bulk whisky from another company I and my family controlled to Browne-Vintners at an exorbitant price, and by investing such profits in Brown-Vintners' stock obtained an excessive share of the proceeds of the sale. The facts are that a company which I and my family controlled sold some certificates for bulk whisky to Browne-Vintners at a time when Browne-Vintners was sorely in need of such whisky and at a price lower than it would have had to pay in the open market.

11. As the result of the claims made by Zwillman and Stacher above mentioned, and perhaps other claims which I do not recall, Zwillman and Stacher maintained that the balance due them greatly exceeded the amount the accountant for Browne-Vintners had calculated. I had left to this accountant all the financial details and doubt if I ever knew the exact amount that Zwillman and Stacher claimed or precisely how the figure of \$358,000 was arrived at. However, I know that I believed that the claims of Zwillman and Stacher above mentioned were without merit and at no time did I authorize the accountant or anyone else to accept in whole or in part any of the said claims of Zwillman and Stacher. I believe that after the withdrawal of our claim of any right to withhold the \$225,000 and after Zwillman and Stacher had withdrawn their various claims, the amount of the balance mutually agreed upon as due to Zwillman and Stacher for their stock interest in Browne-Vintners was \$358,000, after the payment of all taxes and expenses, and that amount was paid to them in May 1943 out of the amount withheld by the accountant as above mentioned.

12. I have been informed that the Treasury Department will accept this affidavit in lieu of an oral examination and I am furnishing it voluntarily. It was prepared by my attorney on information I supplied to him and it accurately explains the substance of what transpired in connection with the payment of \$358,000 to Zwillman and Stacher in May 1943, as I remember it.

JOSEPH H. REINFELD.

Sworn to before me this 12th day of December 1949.

[SEAL]

JOSEPH E. PARISI,

Notary Public, State of New York.

My commission expires March 30, 1950.

· DEPARTMENT OF JUSTICE,
Washington, D. C., March 29, 1951.

HON. ESTES KEFAUVER,

*Chairman, Special Committee To Investigate Organized Crime in
Interstate Commerce, United States Senate, Washington, D. C.*

MY DEAR SENATOR KEFAUVER: When I appeared before the committee on March 26, I mentioned briefly the activities of the Department in criminal prosecution of tax-evasion cases during the past 5 years. As I informed the committee at that time, the Tax Division has received and considered 2,242 cases since July 1, 1946, in each of which the Commissioner of Internal Revenue had recommended that criminal proceedings be instituted. Prosecution was undertaken in approximately two-thirds of the cases received and convictions were obtained in 96 percent of the cases prosecuted.

In a statement to the committee on the same day, Assistant Attorney General Caudle informed you that the files of the Tax Division contain at least 137 cases in which prosecution has been undertaken or is under consideration involving

gamblers, racketeers, and others who received income from illegal sources. These cases alone involve in excess of \$8,000,000 in additional taxes criminally evaded, although the amount ultimately collected by the Government will be undoubtedly larger because all technically controversial items of a civil nature are eliminated from consideration in the preparation of a case for criminal prosecution.

For the information of the committee, there has been prepared a tabulation of the 137 cases referred to by Mr. Caudle, a copy of which is attached.

Of the 137 cases listed, convictions were obtained in 88; fines in the aggregate amount of \$471,350 were imposed, together with prison terms totalling more than 100 years. Of the remaining cases, 31 are in the hands of United States attorneys and indictments have been returned, complaints filed, or the cases await the term of the next grand jury. Of the remaining 18 cases, six are under consideration in the Tax Division; 12 (involving members of the Florida S. & G. Syndicate and of the sheriff's office in Broward County, Fla., have been transmitted to the United States attorney and will shortly be presented to an investigating grand jury.

As Mr. Caudle pointed out, the Department has been eminently successful in employing criminal sanctions of the internal revenue laws in the suppression of illegal enterprises. It is the Department's intention to continue to do so with increased vigor and imagination.

Sincerely yours,

J. HOWARD McGRATH,
Attorney General.

Name and jurisdiction	Date received in Department	Years and taxes involved	Date sent to United States attorney	Status	Occupation
Robert B. Allen, Oregon	Sept. 8, 1950	1944-45, \$60,330.12	Jan. 31, 1951	Pending	Slot-machine owners.
A. G. Antonopolo, northern district, Georgia	Dec. 31, 1947	1941-44, \$10,748.78	Jan. 23, 1948	Conviction	Gambling.
George P. Bacon, western district, Washington	Jan. 30, 1951	1944-45, \$32,194.58	Feb. 12, 1951	Pending	Operated gambling game.
Rocco Barbera, southern district, Indiana	July 3, 1946	1943-44, \$7,339.10	Oct. 30, 1946	Conviction	Slot machines.
Samuel R. Beard, Maryland	Jan. 6, 1949	1944, \$483,563.30	Apr. 5, 1949	Pending	Gambler.
Lester T. Beekman, Oregon	Sept. 8, 1950	1944-45, \$1,585.42	Jan. 31, 1951	do	Slot-machine owner.
Dec. 12, 1949	1943-46, \$10,450.26	Feb. 1, 1950	do	do	do
Dec. 5, 1947	1941-43, \$23,039.51	Dec. 19, 1947	do	do	do
Apr. 13, 1945	1942, \$15,871.53	July 26, 1945	do	do	Gambling.
Elmer C. Bettis, Maryland	Apr. 13, 1946	1940-43, \$58,600	Feb. 25, 1947	do	Night-club owner, bookmaking activities.
Wolga Blount, eastern district, Virginia	Nov. 13, 1945	1942-46, \$28,319.84	Sept. 3, 1948	do	Coin-machine owner and operator.
Harry G. Bour, Maryland	May 3, 1945	1939-41, \$83,664.91	Jan. 24, 1946	do	Racketeer.
Cecil A. Botger, southern district, Iowa	Dec. 13, 1945	1944-45, \$40,069.77	Aug. 27, 1948	do	Restaurant and gambling establishment, numbers racket.
James V. Bove, southern district, New York	Mar. 24, 1948	1942-45, \$124,506	Jan. 6, 1949	do	Cafe owner, gambling activities in Ohio and Florida.
E. C. Brice, northern district, West Virginia	June 2, 1948	1941-44, \$71,159.52	Apr. 26, 1947	Pending	Operated cafe and night clubs, gambler.
Sam Brodalla, northern district, Illinois	Mar. 9, 1947	1942-47, \$35,160.05	do	do	City councilman and real estate. Alleged connection with S. & G. syndicate.
J. Baker Bryan, Sr., southern district, Florida	Feb. 21, 1951	1940-41, \$65,406.80	Aug. 22, 1945	Conviction	Gambling.
William Burbridge, Sr., southern district, Florida	Oct. 13, 1944	1940-41, \$65,736.56	Aug. 22, 1945	do	Handbook and numbers.
Frank Budak, northern district, Ohio	do	1943-44, \$4,153.56	Dec. 12, 1947	do	Gambling.
Joseph M. Budak, northern district, Ohio	Aug. 13, 1947	1943, \$2,662.48	Dec. 16, 1947	do	do
Larry Butler, Wyoming	Aug. 19, 1947	1943-47, \$284,100.28	June 27, 1950	do	Numbers racket.
Worth Butler, Wyoming	Aug. 12, 1949	1944-46, \$78,793.91	Oct. 27, 1950	Pending	Gambler, slot-machine and jukebox operator.
Frank Calloway, northern district, West Virginia	June 20, 1950	()	Mar. 16, 1951	do	Hotel and tavern operator.
Vaughn J. Cannon, middle district, North Carolina	Mar. 15, 1951	1941-42, \$83,556.78	Mar. 2, 1945	Conviction	Gambler and racketeer.
Ralph J. Capone, Northern District, Illinois	Mar. 2, 1945	1942-46, \$38,599.47	June 23, 1948	do	Vending machines.
Robert L. Carnahan, Kansas	Mar. 18, 1948	1943-44, \$81,555.96	Dec. 19, 1945	do	Slot machines.
Charles Castoro	Nov. 7, 1945	1944-48, \$14,401.24	Apr. 18, 1950	do	County assessor.
Fred C. Cave, Iowa	Apr. 17, 1950	1941-42, \$70,421.44	Mar. 2, 1945	do	Gambler and racketeer.
George R. Clark, western district, Missouri	Mar. 2, 1945	1942-44, \$28,755.12	Nov. 14, 1947	Pending	Gambler.
Max L. Cohen, Kansas	June 11, 1947	1944, \$29,388.65	Feb. 19, 1948	Conviction	Coin machine and punch-board operator.
Meyer (Mickey) Cohen, southern district, California	Dec. 26, 1947	1944-46, \$4,906.52	Jan. 25, 1951	do	Slot machines.
Mason L. Colbert, Nebraska	Oct. 19, 1950	1943, \$10,563.58	Mar. 4, 1947	Pending	Police chief. Received bribe pay-offs.
Albert Rudolph Cranor, northern district, Illinois	Dec. 26, 1947	1945-46, \$9,906.12	Dec. 17, 1947	Conviction	Horse book.
William R. Davenna, Jr., northern district, California	Oct. 19, 1950	1947-48, \$5,491.86	Mar. 12, 1951	do	Gambling.
John Davidson, southern district, California	Nov. 14, 1946	1944-46, \$25,396.50, \$8,329.15	do	Pending	Bookmaker.
Walter R. Davis, eastern district, Virginia	Dec. 12, 1947	1943-44, \$3,443.14	Oct. 4, 1949	Conviction	Slot-machine business. Former Lias associate.
David Ditchik, southern district, New York	Jan. 30, 1951			do	Gambling.
Jacob Dolkin, Joseph Dobkin, West Virginia	June 28, 1950			do	
Melvin T. Dodd, western district, Texas	Aug. 29, 1949			do	

¹ False statements in offer in compromise.

Name and jurisdiction	Date received in Department	Years and taxes involved	Date sent to United States attorney	Status	Occupation
Cleveland A. Ellis, northern district, Virginia	Aug. 28, 1950	1944-45, \$13,199.66	Nov. 24, 1950	Pending	Slot-machine business.
Ira Ellis, southern district, Florida	Nov. 7, 1945	1942-44, \$56,564.12	Feb. 7, 1946	Conviction	Numbers.
Jefferson Tyson Ewing, Sr., Delaware	Dec. 8, 1948	1946, \$7,234.09	Sept. 27, 1949	do	Horse book.
Hillen J. Fenwick, southern district, Indiana	Dec. 12, 1947	1941-44, \$34,801.07	Jan. 19, 1948	Pending	Druggist. Side line, slot machine.
Dessie Flowers, southern district, Florida	Dec. 23, 1947	1944-45, \$5,600.60	Feb. 16, 1948	Conviction	Numbers.
Max Froekt, western district, Kentucky	Jan. 14, 1947	1943-44, \$2,775.21	Feb. 6, 1947	do	Slot machine, juke box and pinball machine operator.
Parker A. Garrison, western district, Washington	July 23, 1948	1943-46, \$5,467.98	Apr. 12, 1949	Pending	Police chief. Took protection money from racketeers.
William J. Giglio, southern district, New York	Sept. 11, 1950	1946, \$232,978.73	Nov. 14, 1950	do	Betting commissioner and gambler.
Harry Goldberg, northern district, California	Jan. 24, 1949	1943-47, \$5,204.86	Jan. 3, 1950	Conviction	Liquor—numbers.
Lawrence Goldberg, Maryland	Mar. 15, 1945	1942-43, \$117,148.00	June 13, 1945	do	Racketeer.
Sam Goldberg, western district, Missouri	Apr. 17, 1950	1946-48, \$25,200.32	Apr. 18, 1950	do	Operated lottery from 1936 to 1941.
Joseph S. Gomes, northern district, California	Oct. 22, 1947	1946, \$7,147.02	Jan. 27, 1949	do	Fence.
Meyer Gordon, northern district, Illinois	Feb. 17, 1947	1941-43, \$404,890.96	Dec. 2, 1949	Pending	Blackmail.
Alfred O. Gould, southern district, California	Oct. 26, 1949	1945-46, \$41,693.40	Dec. 29, 1949	Conviction	Tavern operator, gambling and bookmaking.
Marlin M. Griffin, Maryland	Oct. 24, 1947	1942-45, \$25,227.73	Dec. 18, 1947	do	Billiard parlor, operated card games, slot machines, and punch boards.
James G. Guthrie, northern district, California	June 16, 1948	1943-44, \$3,196.35	May 10, 1949	do	Do.
Leo A. Hahn, northern district, California	do	1943-44, \$1,864.18	do	do	Gambler.
Robert H. Hairston, northern district, West Virginia	Nov. 14, 1947	1942-46, \$38,557.53	Dec. 18, 1947	do	Tavern operator, coin machines, and gambling.
H. A. Haworth, et ux., northern district, Idaho	Oct. 7, 1948	1943-45, \$22,012.47	Apr. 1, 1949	do	Gambling.
Samuel C. Hayden, western district, Idaho	Aug. 1, 1950	1948, \$1,023.80	Aug. 1, 1950	do	Pinball and slot machines.
Carl Hoelzel, western district, Missouri	Apr. 17, 1950	1944-46-47, \$140,803.50	Apr. 18, 1950	do	Night club, gambler.
Maurice Higgins, South Dakota	May 13, 1947	1944, \$9,846.58	June 11, 1947	do	Coin machines.
George E. Holmes, southern district, Texas	May 29, 1947	1942-44, \$21,809.11	Nov. 19, 1947	do	Slot machines.
Harvey Hudson, western district, Kentucky	Mar. 4, 1948	1941-44, \$12,798.39	Feb. 24, 1949	do	Gambling.
Nadison E. Hudson, northern district, Alabama	Feb. 16, 1948	1941-44, \$73,272.64	Feb. 26, 1948	do	Diamond broker. Allegedly notorious jewelry fence.
Irving Hornstein, northern district, Illinois	Nov. 29, 1946	1940-43, \$147,148.54	Jan. 28, 1947	do	Restaurant, gambling.
Miguel Infante, Hawaii	Apr. 4, 1947	1942-45, \$3,804.94	May 23, 1947	do	Gambling casino.
Robert B. Jackson, Charles J. Jackson, Harry Lee Jackson, Maryland	July 19, 1949	1945-46, \$9,182.19, ¹ \$9,443.96, ² \$6,836.86, ³	Jan. 9, 1951	Pending	Do.
Robert J. Kaltenborn, Nevada	June 13, 1947	1942-43, \$8,879.02	Aug. 28, 1947	Conviction	Slot-machine operator.
Herbert Kreider, eastern district, Pennsylvania	Mar. 30, 1949	1944-47, \$160,296.90	May 12, 1949	Pending	Slot machines.
Ralph S. Krotz, eastern district, Pennsylvania	Dec. 8, 1947	1944-45, \$53,353.66	Feb. 6, 1948	Conviction	Restaurant, gambling.
Harry J. Kyrus, eastern district, Virginia	Nov. 12, 1947	1941-44, \$162,714.31	Aug. 11, 1948	do	Night-club operator.
David J. Lamb, northern district, Georgia	June 10, 1946	1944, \$14,465.71	July 2, 1946	do	Bookmaker.
Charles T. Leahy, northern district, California	Jan. 14, 1949	1943-45, \$9,742.73	May 10, 1949	do	Gambler.
William G. Lias, northern district, West Virginia	May 15, 1948	1942-46, \$1,700,000	May 16, 1948	Acquittal	Gambler.
Russell C. Lindley, Washington	Sept. 23, 1947	1942-45, \$57,683.47	Jan. 19, 1948	Conviction	Gambling.
Callistus L. Lindung, Maryland	Jan. 23, 1950	1944-47, \$30,814.34	Jan. 26, 1951	Pending	Horse racing.

¹ False statements in offer in compromise.² Robert B. Jackson.³ Charles J. Jackson.⁴ Harry Lee Jackson.

Carl Litowitz, New Jersey.....	Jan. 6, 1950	1945, \$36,699.59	Sept. 15, 1950	do	Gambler.
Frank S. Livorsi, southern district, New York.....	Sept. 11, 1950	1946, \$56,591.93	Apr. 18, 1950	do	Do.
Thomas Lococe, western district, Missouri.....	Apr. 17, 1950	1944-48, \$28,067.84	Apr. 18, 1950	Conviction	Mobster.
John W. Long, et ux, western district, Kentucky.....	Dec. 24, 1947	1941-43, \$66,246.50	Jan. 27, 1948	do	Tavern, gambling, disorderly house.
Joseph L. Lurding, western district, Kentucky.....	May 17, 1948	1942-46, \$39,775.90	Oct. 23, 1948	do	Handbook and coin machines.
R. M. (Merv) McCoy, northern district, California.....	June 14, 1950	1946, \$2,413.83	Aug. 12, 1950	do	Punch boards and slot machines.
Joseph McDermott, New Jersey.....	July 23, 1948	1943-44, \$44,193.76	Nov. 17, 1949	Pending	Gambler, coin machines.
A. T. McFee, Idaho.....	Jan. 19, 1951	1945-46, \$117,845.40	June 28, 1946	do	Slot machines.
O. Lloyd McKeever, Kansas.....	Apr. 1, 1946	1944, \$2,790.51	Apr. 18, 1950	Conviction	Gambling and bootlegging.
John Manciarina, western district, Missouri.....	Apr. 17, 1950	1946-48, \$4,729.28	do	do	Gambler.
Nagel J. Maroon, western district, Missouri.....	do	1945-48, \$5,457.60	do	do	Gambling and punch books.
Henry Molino, northern district, California.....	Mar. 11, 1949	1943-44, \$70,600.14	Oct. 21, 1949	do	Gambling casino.
James M. Morgan, eastern district, Virginia.....	Dec. 23, 1949	1943-45, \$21,763.37	Feb. 9, 1950	do	Operates gambling house and numbers game.
Joseph W. Moriarty, New Jersey.....	Feb. 4, 1949	1945-46, \$154,505.47	Mar. 8, 1949	do	Gambler.
Chin Lam Moy, northern district, California.....	Feb. 15, 1951	1945, \$113,372.26	Aug. 23, 1948	Pending	Gambling house.
Reginald C. Y. Mun, Hawaii.....	May 10, 1948	1943, 1946, \$12,917.44	do	Conviction	Rooming house, shooting gallery, pin ball and gambling house operator.
Joseph Mason Noera, eastern district, Georgia.....	May 28, 1948	1946, \$16,759.86	Aug. 17, 1948	do	Liquor dealer and small-time gambler.
J. Edward O'Brien.....	Aug. 6, 1948	1943-46, \$81,719.47	May 20, 1949	Pending	Cochran—slot-machine operator.
James H. Oeliran, Maryland.....	do	1945-46, \$27,973.80	do	do	Small-time gambler, helped O'Brien in operation of The Little Club.
Kenneth A. O'Connor, Richmond, Va.....	Dec. 23, 1949	1943-47, \$232,521.47	June 27, 1950	do	Bootlegger, vending-machine business, private racing stable.
Paul Pagnini, northern district, California.....	Dec. 22, 1948	1944-46, \$12,150.94	Oct. 24, 1949	Conviction	Tavern and slot-machine operator.
Leon C. Paterno, northern district, California.....	Nov. 28, 1945	1943, \$10,706.84	Mar. 14, 1946	do	Operated hotel and house of ill fame.
Hugo F. Payne, Wyoming.....	June 16, 1949	1943-44, \$10,840.63	July 7, 1949	do	Bar, pool hall, slot-machine operator, gambler.
John Peirone, middle district, Tennessee.....	Feb. 21, 1951	1944-47, \$26,151.56	do	Pending	Allegedly notorious bootlegger.
Albert W. Platt, western district, Pennsylvania.....	May 26, 1948	1942-45, \$11,392.48	Nov. 16, 1948	Conviction	Operated diner and sold punch boards, gambler.
Michael Poison, northern district, Illinois.....	Feb. 25, 1947	1940-43, \$158,529.52	Mar. 5, 1947	do	Capone mobster.
Andrew J. Purifoy, middle district, North Carolina.....	Aug. 15, 1949	1943-47, \$121,896.80	Jan. 23, 1950	do	Numbers operator, motor sales, bottling company, etc., ex bootlegger.
Walter Rainey, western district, Missouri.....	Apr. 17, 1950	1946-48, \$3,507.97	Apr. 18, 1950	do	Gambler.
Charles Ramundo, district court, New Jersey.....	Oct. 17, 1947	1941-45, \$20,548.86	Feb. 17, 1948	do	Gambler and bookie.
Richard W. Reading, eastern district, Michigan.....	June 8, 1940	1938-39, \$11,717.73	June 11, 1940	do	One-time mayor of Detroit; corrupt politician.
Elmer F. Remmer, Nevada.....	Feb. 12, 1951	1944-46, \$40,000	Mar. 14, 1951	Pending	Gambler.
Sam Rinella, northern district, Illinois.....	July 3, 1950	1945-46, \$4,570.33	Sept. 20, 1950	do	Restaurant and tavern owner (had business deal with Joe Fischetti, brother of Rocco).
Myer Rothstein, western district, Washington.....	June 28, 1946	1940-42, \$106,420.16	July 26, 1946	Conviction	Gambler, cigar store, and pool-hall operator.
James Ruckin, New Jersey.....	Mar. 10, 1950	1943, \$215,564.39	Mar. 13, 1950	do	Former bootlegger, known gambler and racketeer, hoodlum member of Willie Moretti mob.
S. & G. Syndical.....	Feb. 23, 1951	1945-48: \$32,913.08 \$42,448.08 \$12,841.02 \$242,672.98 \$236,607.99 \$66,471.25 \$12,931.81 \$213,622.15	do	Pending	Bookmaking syndicate.
Jules Levitt.....	do	do	do	do	do
Samuel Friedman.....	do	do	do	do	do
Charles Friedman.....	do	do	do	do	do
Edward G. Rosenbaum.....	do	do	do	do	do
George E. Rosenbaum.....	do	do	do	do	do
Harold Salvey.....	do	do	do	do	do
Samuel P. Cohen.....	do	do	do	do	do
Benjamin Cohen.....	do	do	do	do	do
Southern district, Florida.....	do	do	do	do	do
Harry W. Schuermann, eastern district, Missouri.....	Sept. 8, 1947	1942-45, \$139,196.07	Oct. 23, 1947	Conviction	Gambler.

Name and jurisdiction	Date received in Department	Years and taxes involved	Date sent to United States attorney	Status	Occupation
R. Earle Sheriff, Maryland	Apr. 21, 1949	1943-46, \$12,806.38	May 3, 1949	do	Deputy sheriff, protection pay-offs.
Samuel B. Sokol, southern district, New York	Feb. 18, 1948	1943-45, \$52,281.37	July 9, 1948	Pending	Society bookmaker.
Salvatore Sollazzo, southern district, New York	Jan. 3, 1951	1944, \$240,779.16	Feb. 12, 1951	do	Gambler (basketball fix).
Nicholas V. Spriemich, eastern district, Louisiana	July 27, 1948	1942-44, \$11,196.23	Oct. 13, 1948	do	Safoonkeeper, slot-machine operator.
Samuel C. Spurrier, eastern district, Pennsylvania	Feb. 13, 1948	1941, \$34,368.59	Feb. 25, 1948	do	Gambler.
Maurice Stoffer, western district, Washington	May 17, 1948	1943-45, \$9,966.77	June 10, 1948	do	Small-time cigar store, pinball, dice-game operator.
C. W. Thomas, southern district, Florida	Oct. 10, 1946	1943-45, \$119,139.64	Nov. 6, 1946	do	Lottery operator.
Emmitt B. Waring, Maryland	Oct. 18, 1948	1942-44, \$38,315.86	Dec. 10, 1946	do	Pinball and joke-box operator; ex-convict.
John A. West, Maryland	Apr. 22, 1949	1947, \$36,239.70	June 2, 1949	Pending	Numbers.
Walter W. White, Maryland	July 28, 1949	1943-47, \$22,543.94	Aug. 11, 1949	do	Slot-machine operator.
Julius Wild, northern district, California	Sept. 25, 1947	1941-45, \$72,888	Feb. 13, 1948	do	Bookmaking and gambling establishment.
Gordon F. Williams, southern district, Florida	Aug. 19, 1947	1941-43, \$10,585.34	Feb. 9, 1948	do	Numbers.
Walter R. Clark, Robert L. Clark, southern district, Florida	Feb. 23, 1951	1946-47, \$46,155.22		Pending	Do.
Louis E. Wolcher, northern district, California	July 14, 1950	1944, \$30,276.06	Sept. 6, 1950	do	Coin machine and black-market whisky.
A. Harry Wyman, southern district, Florida	June 18, 1946	1942-43, \$65,486.18	Apr. 30, 1947	Convicted	Bookie.

⁵ Years and amounts undetermined.

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